



Tokyo Kiraboshi Financial Group, Inc.

Listed Code: 7173

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

Listed Stock Exchange: TSE (Prime Market)

November 1, 2023

Consolidated Financial Report for the First Half of the Fiscal Year Ending March 31, 2024 <Under Japanese GAAP>

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Date of submission of quarterly security report: November 24, 2023

Date to start dividend payment: December 4, 2023

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, 2024 (From April 1, 2023 to September 30, 2023)

(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, 2024	69,968	15.4	18,309	38.5	13,473	56.2
First half of the fiscal year ended March 31, 2023	60,608	29.1	13,217	78.6	8,625	80.9

(Note) Comprehensive income: First half of the fiscal year ending March 31, 2024: ¥9,989 million —

First half of the fiscal year ended March 31, 2023: ¥(6,834 million) —

	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, 2024	442.04	260.58
First half of the fiscal year ended March 31, 2023	281.47	149.89

(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, 2024	6,619,115	335,226	5.0
Fiscal year ended March 31, 2023	6,742,149	326,972	4.8

(Reference)

Equity:

First half of the fiscal year ending March 31, 2024: ¥335,180 million Fiscal year ended March 31, 2023: ¥326,904 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, 2023	–	52.50	–	62.50	115.00
Fiscal year ending March 31, 2024	–	65.00			
Fiscal year ending March 31, 2024 (Forecast)			–	65.00	130.00

(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, 2024 (From April 1, 2023 to March 31, 2024)

(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	30,100	(2.1)	24,000	13.4

(Note) Changes to the forecast of consolidated operating performance most recently announced: Yes

For information on revision to the forecast of consolidated operating performance, please refer to “Notice regarding differences between forecast and actual results of consolidated operating performance for the first half, and revision to the forecast of full-year consolidated operating performance for the fiscal year ending March 31, 2024” released today (November 1, 2023).

* 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) One company is added as a consolidated subsidiary, effective October 2, 2023. 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, 2024” and “(8) Significant Subsequent Event” 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

- Changes in accounting policies due to revisions to accounting standards: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatement of prior period financial statements after error corrections: None

(3) Number of shares issued (common stock)

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

First half of the fiscal year ending March 31, 2024	30,650,115 shares
Fiscal year ended March 31, 2023	30,650,115 shares
- Number of treasury stock at the end of the period

First half of the fiscal year ending March 31, 2024	387,392 shares
Fiscal year ended March 31, 2023	537,634 shares
- Average number of shares during the period (cumulative from the beginning of the fiscal year)

First half of the fiscal year ending March 31, 2024	30,148,286 shares
First half of the fiscal year ended March 31, 2023	30,193,034 shares

(Note)

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

(Overview of Non-consolidated Financial Results Statements)

1. Non-consolidated Operating Performance for the First Half of the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to September 30, 2023)

(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, 2024	3,295	41.1	2,274	43.9	2,246	44.3	2,165	40.6
First half of the fiscal year ended March 31, 2023	2,335	34.3	1,580	43.2	1,556	37.3	1,539	39.3

	Net income per share
	(¥)
First half of the fiscal year ending March 31, 2024	66.96
First half of the fiscal year ended March 31, 2023	46.80

(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, 2024	222,148	199,926	89.9
Fiscal year ended March 31, 2023	218,257	199,496	91.3

(Reference)

Equity:

First half of the fiscal year ending March 31, 2024: ¥199,917 million Fiscal year ended March 31, 2023: ¥199,483 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, 2023	–	126.00	–	126.00	252.00
Fiscal year ending March 31, 2024	–	133.00			
Fiscal year ending March 31, 2024 (Forecast)			–	133.00	266.00

(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, 2023

(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

(2) Fiscal year ending March 31, 2024 (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 March 31, 2023, the Japanese yen TIBOR (12-month maturity) = 0.23364%

(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, 2023	–	16.000	–	16.000	32.000
Fiscal year ending March 31, 2024	–	23.364			
Fiscal year ending March 31, 2024 (Forecast)			–	23.364	46.728

(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, 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

(2) Fiscal year ending March 31, 2024 (Forecast)

(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 March 31, 2023, the Japanese yen TIBOR (12-month maturity) = 0.23364%

(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, 2024

- Supplementary Information -

1. Qualitative Information Regarding Consolidated Results for the First Half of the Fiscal Year Ending March 31, 2024

(1) Operating Results

In the consolidated operating results for the first half of the fiscal year ending March 31, 2024, Kiraboshi Bank, Ltd., which makes up the majority of consolidated results, recorded ¥22.2 billion in ordinary profit, an increase of ¥0.4 billion year-on-year, and ¥17.6 billion in net income, an increase of ¥0.3 billion year-on-year. However, as a result of adjustments made for consolidated accounting, such as elimination of internal transactions, ordinary profit came to ¥18.3 billion, an increase of ¥5.0 billion year-on-year, while profit attributable to owners of parent increased by ¥4.8 billion year-on-year to ¥13.4 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 ¥5.0 billion year-on-year 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: A decrease of ¥0.6 billion year-on-year, reflecting a ¥2.9 billion decrease in dividends from equity-method affiliates that was partly offset by gain on cancellation of investment trusts and fund investment income. (Dividends from affiliates are internal transactions and are thus eliminated from consolidated results.)
- (iii) Non-interest income*²: A decrease of ¥2.4 billion year-on-year despite an increase in fee and commission income from corporate customers largely in business financing, partly because there were no more gains from unwinding of asset swaps recorded in the previous fiscal year.
- (iv) Expenses: An increase of ¥1.2 billion year-on-year partly due to an increase in personnel expenses resulting from an increase in base pay and other factors.
- (v) Credit-related costs: A decrease of ¥0.7 billion year-on-year due largely to a decrease in bad debt expense and a decline in the historical percentage of general reserve for possible loan losses.
- (vi) Gains (losses) on bonds: A decrease of ¥0.0 billion year-on-year as a result largely of a decrease in loss from sale of foreign bonds on the one hand and a similar amount of decrease in gain on sale of bonds.
- (vii) Gains (losses) on stocks and other securities: An increase of ¥1.8 billion year-on-year due largely to gain on sale of equity securities held for pure investment.

*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, 2023, total assets amounted to ¥6,619.1 billion, down ¥123.0 billion from the end of the previous fiscal year, and net assets stood at ¥335.2 billion, a ¥8.2 billion increase from the end of the previous fiscal year.

With respect to major account balances, deposits increased by ¥285.4 billion from the end of the previous fiscal year to ¥5,910.8 billion, loans and bills discounted increased by ¥94.8 billion from the end of the previous fiscal year to ¥4,800.9 billion, and securities decreased by ¥31.6 billion from the end of the previous fiscal year to ¥825.3 billion.

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

A revision has been made to the forecast of consolidated operating performance for the fiscal year ending March 31, 2024, announced on May 8, 2023, as follows.

For details, please refer to “Notice regarding differences between forecast and actual results of consolidated operating performance for the first half, and revision to the forecast of full-year consolidated operating performance for the fiscal year ending March 31, 2024” released today (November 1, 2023).

Revision to the Forecast of Full-Year Consolidated Operating Performance for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Ordinary profit	Profit attributable to owners of parent	Profit attributable to owners of parent per share
	(¥ million)	(¥ million)	(¥)
Previously announced forecast (A)	28,100	22,000	720.86
Revised forecast (B)	30,100	24,000	786.34
Increase or decrease (B–A)	2,000	2,000	
Percentage change (%)	7.1	9.0	
(Ref) Actual results for the previous fiscal year (fiscal year ended March 31, 2023)	30,774	21,150	693.00

2. Consolidated Interim Financial Statements and Notes

(1) Consolidated Interim Balance Sheets

(¥ million)

	As of March 31, 2023	As of September 30, 2023
Assets		
Cash and due from banks	936,273	742,822
Call loans and bills bought	9,640	6,177
Other debt purchased	58,527	54,081
Trading account securities	861	824
Money held in trust	2,867	3,686
Securities	856,976	825,372
Loans and bills discounted	4,706,163	4,800,986
Foreign exchange	4,519	5,857
Lease receivables and investment assets	24,853	27,016
Other assets	73,708	76,741
Tangible fixed assets	55,971	57,178
Intangible fixed assets	12,922	14,330
Net defined benefit assets	18,400	19,163
Deferred tax assets	7,049	8,169
Customers' liabilities for acceptances and guarantees	5,971	6,028
Reserve for possible loan losses	(32,557)	(29,323)
Total assets	6,742,149	6,619,115
Liabilities		
Deposits	5,625,386	5,910,831
Negotiable certificates of deposit	9,500	9,500
Call money and bills sold	448,139	157,589
Payables under securities lending transactions	184,751	128,452
Borrowed money	79,786	17,572
Foreign exchange	258	1,749
Bonds	7,008	6,390
Other liabilities	50,696	42,466
Reserve for employee bonuses	1,670	1,756
Provision for directors' bonuses	155	—
Provision for stock compensation	374	207
Net defined benefit liabilities	75	80
Reserve for directors' retirement benefits	67	62
Reserve for point card certificates	74	90
Reserve for loss on dormant deposit repayments	259	174
Provision for contingent loss	883	861
Reserves under special laws	0	0
Deferred tax liabilities	116	73
Acceptances and guarantees	5,971	6,028
Total liabilities	6,415,177	6,283,888

(¥ million)

	As of March 31, 2023	As of September 30, 2023
Net Assets		
Common stock	27,500	27,500
Capital surplus	150,968	150,974
Retained earnings	151,399	162,843
Treasury stock	(1,198)	(906)
Total shareholders' equity	328,669	340,411
Net unrealized gain on available-for-sale securities	(5,121)	(8,630)
Net deferred gains (losses) on hedges	—	43
Revaluation reserve for land	(242)	(242)
Foreign currency translation adjustment	25	36
Remeasurements of defined benefit plans	3,573	3,561
Total accumulated other comprehensive income	(1,765)	(5,231)
Subscription rights to shares	13	9
Noncontrolling interests	55	36
Total net assets	326,972	335,226
Total liabilities and net assets	6,742,149	6,619,115

**(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, 2023	First half of the fiscal year ending March 31, 2024
Ordinary income	60,608	69,968
Interest income	34,843	42,151
Interest on loans and discounts	27,530	32,682
Interest and dividends on securities	6,348	8,635
Trust fees	221	168
Fees and commissions	8,724	10,630
Other operating income	6,650	999
Other ordinary income	10,167	16,018
Ordinary expenses	47,391	51,659
Financing expenses	1,180	2,913
Interest on deposits	532	1,472
Fees and commissions payments	1,653	1,681
Other operating expenses	7,949	4,999
General and administrative expenses	28,186	30,485
Other ordinary expenses	8,422	11,579
Ordinary profit	13,217	18,309
Extraordinary income	1,520	—
Gains on return of securities from retirement benefit trust	1,520	—
Extraordinary losses	557	64
Loss on disposal of non-current assets	104	64
Impairment losses	452	—
Profit before income taxes	14,180	18,244
Income taxes – current	3,351	4,384
Income taxes – deferred	2,256	405
Total income taxes	5,608	4,789
Profit	8,572	13,455
Profit (Loss) attributable to non-controlling interests	(53)	(18)
Profit attributable to owners of parent	8,625	13,473

(Consolidated Interim Statements of Comprehensive Income)

(¥ million)

	First half of the fiscal year ended March 31, 2023	First half of the fiscal year ending March 31, 2024
Profit	8,572	13,455
Other comprehensive income	(15,406)	(3,465)
Net unrealized gain on available-for-sale securities	(13,853)	(3,511)
Net deferred gains (losses) on hedges	(350)	43
Foreign currency translation adjustment	7	11
Remeasurements of defined benefit plans	(1,196)	(11)
Share of other comprehensive income of entities accounted for using equity method	(12)	3
Comprehensive income	(6,834)	9,989
(Breakdown)		
Comprehensive income attributable to owners of parent	(6,781)	10,007
Comprehensive income attributable to non-controlling interests	(53)	(18)

(3) Consolidated Interim Statements of Changes in Net Assets

First half of the fiscal year ended 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

First half of the fiscal year ending March 31, 2024

(¥ million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	27,500	150,968	151,399	(1,198)	328,669
Changes of items during the reporting period					
Dividends of surplus			(2,029)		(2,029)
Profit attributable to owners of parent			13,473		13,473
Acquisition of treasury stock				(18)	(18)
Disposition of treasury stock		5		311	316
Net changes of items other than shareholders' equity during the reporting period					
Total changes of items during the reporting period	-	5	11,444	292	11,742
Balance at end of period	27,500	150,974	162,843	(906)	340,411

	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	(5,121)	-	(242)	25	3,573	(1,765)	13	55	326,972
Changes of items during the reporting period									
Dividends of surplus									(2,029)
Profit attributable to owners of parent									13,473
Acquisition of treasury stock									(18)
Disposition of treasury stock									316
Net changes of items other than shareholders' equity during the reporting period	(3,508)	43	-	11	(11)	(3,465)	(3)	(18)	(3,487)
Total changes of items during the reporting period	(3,508)	43	-	11	(11)	(3,465)	(3)	(18)	8,254
Balance at end of period	(8,630)	43	(242)	36	3,561	(5,231)	9	36	335,226

(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, 2024

Not applicable.

Effective October 2, 2023, Kiraboshi System, Inc., a subsidiary of the Company, acquired shares in I.T.C. Co., Ltd. and converted the same to a consolidated subsidiary. Note that this does not constitute a change in specified subsidiaries.

Effective April 1, 2023, H.S. Servicer Co., Ltd. changed its name to Kiraboshi Servicer, Ltd.

(6) Changes in Accounting Policies

Not applicable.

(7) Additional Information

(Accounting estimates related to COVID-19)

With respect to accounting estimates related to COVID-19 pandemic for the first half of the fiscal year ending March 31, 2024, and assumptions used to calculate the estimates thereof, there are no material changes to the information provided under Significant Accounting Estimates in the Securities Report for the fiscal year ended March 31, 2023.

(8) Significant Subsequent Event

(Conversion to a subsidiary through share acquisition)

At a meeting of the Board of Directors of the Company held on August 30, 2023, a resolution was passed for Kiraboshi System, Inc. (hereinafter referred to as "Kiraboshi System"), a subsidiary of the Company, to acquire shares in I.T.C. Co., Ltd. (hereinafter referred to as "I.T.C."), and to convert the same to a subsidiary. On September 28, 2023, approval was obtained from the relevant authorities with respect to advanced banking service company*. Accordingly, on October 2, 2023, Kiraboshi System acquired the shares in I.T.C. and converted the same to a subsidiary.

* Advanced banking service company: a subsidiary of a bank holding company as defined in Article 52-23, Paragraph 1, Item 14 of the Banking Act

1. Outline of the business combination

(1) Name and business description of the acquired company

Name of the acquired company: I.T.C. Co., Ltd.

Business description: system development

(2) Primary reasons for the business combination

Guided by the vision "to be a Tokyo-based platform owner to create new values for customers" as set forth in its Medium-Term Business Plan, the Group is seeking to establish a platform for contributing to creating new values and solving social issues by connecting the various customer needs.

Against this background, a decision was made to acquire the shares in I.T.C. Co., Ltd, a company that has been engaged, since its foundation, in the SES (system engineering services) business and the commissioned systems development business, with private companies as its main business partners. As the Group aims for "comprehensive service business that is also strong in finance," it believes that making I.T.C. a subsidiary of the Group is conducive to insourcing of systems and applications development by Group companies including UI Bank and Kiraboshi Tech, and the provision of I.C.T. consulting services to customers of Kiraboshi Bank.

Going forward, the Group will work on providing digital services swiftly and at low cost, and resolving issues faced by customers in tackling digital transformation challenges including digitalization of their operations.

(3) Date of the business combination

October 2, 2023

(4) Legal form of the business combination

Purchase of shares with cash paid as consideration

(5) Name of the company after the combination

I.T.C. Co., Ltd.

(6) Percentage of voting rights acquired

100%

(7) Grounds for determining the acquirer

Kiraboshi System, Inc. acquired the shares in I.T.C. Co., Ltd. with cash as consideration.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition consideration	Cash	¥1,246 million
Acquisition cost		¥1,246 million
3. Details and amount of major acquisition-related costs
Advisory fees and commissions, etc. ¥6 million
4. Amount of goodwill that was created, causes of creation of goodwill, amortization method and amortization period
Yet to be determined at this time.
5. Amount of assets acquired and liabilities assumed on the date of the business combination, and major breakdown thereof
Yet to be determined at this time.

(Business acquisition by consolidated subsidiary)

At a meeting of the Board of Directors of the Company held on August 30, 2023, a resolution was passed for Kiraboshi Servicer, Ltd. (hereinafter referred to as “Kiraboshi Servicer”), a subsidiary of the Company, to acquire business from Argo Japan Servicing Co., Ltd. (hereinafter referred to as “Argo Japan”). On October 23, 2023, approval from the relevant authorities was obtained and on October 31, 2023, a business transfer from Argo Japan was executed.

1. Outline of the business combination
 - (1) Name and business description of the business transferor
Name of the business transferor: Argo Japan Servicing Co., Ltd.
Business description: claim management and collection business
 - (2) Primary reasons for the business acquisition
The Group continues to provide financial support to companies in financial difficulty, including companies with excessive debt due to the impact of COVID-19 and companies facing a severe operating environment, to help them in their business restructuring.
Against this background, a decision was made to acquire business from Argo Japan because the Group believes that acquisition of Argo Japan’s nationwide network, specialized personnel, and know-how in the debt collection business will be conducive to strengthening Kiraboshi Servicer’s financial support, debt management, and other operations.
The Group will continue to expand group functions to address the various management issues faced by its customers and contribute to the sustainable development of local economies and local communities.
 - (3) Date of the business combination
October 31, 2023
 - (4) Legal form of the business combination
Acquisition of business with cash paid as consideration
2. Acquisition cost of the acquired business and breakdown by type of consideration

Acquisition consideration	Cash	¥7,277 million
Acquisition cost		¥7,277 million

Note that acquisition cost and consideration for the acquired business are provisional amounts.
3. Description and amount of major acquisition-related costs
Advisory fees and commissions, etc. ¥9 million
4. Amount of goodwill that was created, causes of creation of goodwill, amortization method, and amortization period
Yet to be determined at this time.
5. Amount of assets acquired and liabilities assumed on the date of the business combination, and major breakdown thereof
Yet to be determined at this time.

(Reference)

Trust Asset Balance Table
(As of September 30, 2023)

(¥ million)

Assets	Value	Liability	Value
Loans and bills discounted	1,069	Specified money in trust	1,294
Loans on deeds	1,069	Monetary claims in trust	23,037
Monetary claims	22,973	Composite trusts	95,742
Other monetary claims	22,973		
Tangible fixed assets	93,543		
Movables	669		
Real estate	92,873		
Other receivables	0		
Other receivables	0		
Cash and due from banks	2,488		
Deposits	2,488		
Total	120,075	Total	120,075

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

(1) Overview of Non-consolidated Financial Statements

November 1, 2023

Company name: Kiraboshi Bank, Ltd.

Representative: Hisanobu Watanabe, President

Responsible person for inquiries: Takeshi Yoshino, Director Executive Officer

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, 2024 (From April 1, 2023 to September 30, 2023)

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

(Percentages represent year-on-year changes.)

	Ordinary income		Ordinary profit		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
First half of the fiscal year ending March 31, 2024	61,424	2.6	22,251	2.2	17,684	2.0
First half of the fiscal year ended March 31, 2023	59,838	51.9	21,764	212.7	17,332	271.9

(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, 2024	6,530,889	329,777	5.0
Fiscal year ended March 31, 2023	6,688,420	317,832	4.7

(Reference)

Equity: First half of the fiscal year ending March 31, 2024: ¥329,777 million

Fiscal year ended March 31, 2023: ¥317,832 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, 2023	As of September 30, 2023
Assets		
Cash and due from banks	904,424	679,102
Call loans	9,640	6,177
Other debt purchased	58,507	54,044
Trading account securities	861	824
Money held in trust	2,867	3,686
Securities	855,812	820,842
Loans and bills discounted	4,735,398	4,834,470
Foreign exchange	4,519	5,857
Other assets	50,567	52,212
Tangible fixed assets	62,253	63,296
Intangible fixed assets	6,958	8,597
Prepaid pension cost	12,608	13,452
Deferred tax assets	6,997	7,980
Customers' liabilities for acceptances and guarantees	5,981	6,078
Reserve for possible loan losses	(28,978)	(25,736)
Total assets	6,688,420	6,530,889
Liabilities		
Deposits	5,348,246	5,481,496
Negotiable certificates of deposit	9,500	9,500
Call money	448,139	157,589
Payables under securities lending transactions	184,751	128,452
Borrowed money	333,943	389,284
Foreign exchange	258	1,749
Other liabilities	35,348	22,750
Reserve for employee bonuses	1,400	1,472
Provision for directors' bonuses	73	—
Provision for stock compensation	262	163
Reserve for point card certificates	2	2
Reserve for loss on dormant deposit repayments	259	174
Provision for contingent loss	883	861
Deferred tax liabilities for land revaluation	1,535	1,535
Acceptances and guarantees	5,981	6,078
Total liabilities	6,370,587	6,201,112
Net Assets		
Common stock	43,734	43,734
Capital surplus	166,173	166,173
Retained earnings	113,826	129,441
Total shareholders' equity	323,735	339,349
Net unrealized gain on available-for-sale securities	(4,131)	(7,845)
Net deferred gains (losses) on hedges	—	43
Revaluation reserve for land	(1,770)	(1,770)
Total valuation and translation adjustments	(5,902)	(9,572)
Total net assets	317,832	329,777
Total liabilities and net assets	6,688,420	6,530,889

(3) Non-consolidated Interim Statements of Income

Kiraboshi Bank, Ltd.

(¥ million)

	First half of the fiscal year ended March 31, 2023	First half of the fiscal year ending March 31, 2024
Ordinary income	59,838	61,424
Interest income	41,489	45,776
Interest on loans and discounts	27,527	32,578
Interest and dividends on securities	12,962	12,317
Trust fees	221	168
Fees and commissions	6,791	8,485
Other operating income	7,894	823
Other ordinary income	3,442	6,170
Ordinary expenses	38,074	39,172
Financing expenses	1,475	3,224
Interest on deposits	307	668
Fees and commissions payments	1,754	1,793
Other operating expenses	7,942	4,961
General and administrative expenses	24,790	26,240
Other ordinary expenses	2,112	2,953
Ordinary profit	21,764	22,251
Extraordinary income	1,520	—
Gains on return of securities from retirement benefit trust	1,520	—
Extraordinary losses	104	64
Loss on disposal of non-current assets	104	64
Income before income taxes	23,180	22,187
Income taxes – current	3,038	3,849
Income taxes – deferred	2,808	653
Total income taxes	5,847	4,502
Net income	17,332	17,684

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

(1) Overview of Non-consolidated Financial Statements

November 1, 2023

Company name: UI Bank Co., Ltd

Representative: Nobuyuki Yasuda, 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, 2024 (From April 1, 2023 to September 30, 2023)

(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, 2024	1,342	141.6	(1,172)	—	(1,175)	—
First half of the fiscal year ended March 31, 2023	555	—	(915)	—	(917)	—

(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, 2024	480,319	8,808	1.8
Fiscal year ended March 31, 2023	343,260	6,483	1.8

(Reference)

Equity: First half of the fiscal year ending March 31, 2024: ¥8,808 million

Fiscal year ended March 31, 2023: ¥6,483 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 the results in non-consolidated operations of UI Bank Co., Ltd., year-on-year changes 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, 2023	As of September 30, 2023
Assets		
Cash and due from banks	67,296	79,514
Securities	501	7,420
Loans and bills discounted	271,001	389,053
Other assets	1,926	1,806
Tangible fixed assets	28	27
Intangible fixed assets	2,613	2,652
Reserve for possible loan losses	(108)	(155)
Total assets	343,260	480,319
Liabilities		
Deposits	335,860	468,300
Other liabilities	903	3,210
Provision for bonuses for directors (and other officers)	9	—
Provision for share-based payments	5	—
Total liabilities	336,777	471,511
Net Assets		
Common stock	4,875	6,625
Capital surplus	4,425	6,175
Retained earnings	(2,816)	(3,991)
Total shareholders' equity	6,483	8,808
Total net assets	6,483	8,808
Total liabilities and net assets	343,260	480,319

(3) Non-consolidated Interim Statements of Income

UI Bank Co., Ltd.

(¥ million)

	First half of the fiscal year ended March 31, 2023	First half of the fiscal year ending March 31, 2024
Ordinary income	555	1,342
Interest income	550	1,317
Interest on loans and discounts	557	1,329
Interest and dividends on securities	0	2
Fees and commissions	4	14
Other operating income	—	0
Other ordinary income	0	10
Ordinary expenses	1,470	2,515
Financing expenses	225	805
Interest on deposits	225	805
Fees and commissions payments	9	29
Other ordinary expenses	—	0
General and administrative expenses	1,142	1,586
Other operating expenses	93	93
Ordinary profit (loss)	(915)	(1,172)
Income (loss) before income taxes	(915)	(1,172)
Income taxes – current	1	2
Total income taxes	1	2
Net income (loss)	(917)	(1,175)