

For Immediate Press Release:

Consolidated Financial Results for the First Half of Fiscal 2006 ended September 30, 2006

Company Name (Code Number): **The Tokyo Star Bank, Limited** (8384)
 (URL <http://www.tokyostarbank.co.jp/>)
 Stock Exchange Listings: First Section of Tokyo
 Headquarters: Tokyo
 Application of US GAAP: Not applied

1. Summary of Consolidated Financial Results for the First Half of Fiscal 2006

(1) Operating Results

(in millions of yen except per share data and percentages)

| | For the six months ended September 30, | | For the year ended March 31, 2006 |
|-------------------------------------|--|-----------|--------------------------------------|
| | 2006 | 2005 | |
| Ordinary income | 36,629 | 32,066 | 68,323 |
| Change from the previous period | 14.2 % | 3.6 % | |
| Ordinary profits | 12,818 | 9,258 | 24,043 |
| Change from the previous period | 38.5 % | (31.8)% | |
| Net income | 8,162 | 8,260 | 17,149 |
| Change from the previous period | (1.2)% | (3.0)% | |
| Net income per common share | 11,661.33 | 11,800.37 | 24,499.10 |
| Diluted net income per common share | - | - | - |

Average number of shares outstanding:

| | | |
|--|----------------|----------------|
| For the six months ended September 30, 2006: | (Common stock) | 700,000 shares |
| For the six months ended September 30, 2005: | (Common stock) | 700,000 shares |
| For the year ended March 31, 2006: | (Common stock) | 700,000 shares |

(2) Financial Conditions

(in millions of yen except per share data and percentages)

| | As of September 30, | | As of March 31, 2006 |
|---|---------------------|------------|-------------------------|
| | 2006 | 2005 | |
| Total assets | 1,575,203 | 1,440,366 | 1,505,492 |
| Net assets | 93,920 | 82,940 | 91,005 |
| Ratio of net assets to total assets | 6.0% | 5.8% | 6.0% |
| Net assets per common share | 134,171.65 | 118,486.05 | 130,007.85 |
| Capital adequacy ratio (based on the domestic standards) | 9.27% | 9.04% | 8.95% |

Number of shares outstanding as of:

| | | |
|---------------------|----------------|----------------|
| September 30, 2006: | (Common stock) | 700,000 shares |
| September 30, 2005: | (Common stock) | 700,000 shares |
| March 31, 2006: | (Common stock) | 700,000 shares |

CONSOLIDATED BALANCE SHEET
As of September 30, 2006

(in millions of yen)

Assets:

| | |
|---|-----------|
| Cash and due from banks | 108,138 |
| Call loans | 8,810 |
| Monetary receivables bought | 45,779 |
| Trading securities | 6 |
| Monetary assets held in trust | 3,643 |
| Investment securities | 296,682 |
| Loans and bills discounted | 1,088,095 |
| Foreign exchange | 384 |
| Other assets | 15,251 |
| Tangible fixed assets | 11,445 |
| Intangible fixed assets | 5,028 |
| Deferred tax assets | 13,314 |
| Customers' liabilities for acceptances and guarantees | 2,193 |
| Reserve for possible loan losses | (23,570) |

Total assets **1,575,203**

Liabilities and net assets

Liabilities:

| | |
|--------------------------------|-----------|
| Deposits | 1,414,196 |
| Foreign exchange | 3 |
| Corporate notes | 23,000 |
| Other liabilities | 39,892 |
| Reserve for employees' bonuses | 1,126 |
| Reserve for directors' bonuses | 708 |
| Negative goodwill | 162 |
| Acceptances and guarantees | 2,193 |

Total liabilities **1,481,282**

Net assets:

| | |
|---|---------|
| Common stock | 21,000 |
| Capital surplus | 19,000 |
| Retained earnings | 56,100 |
| Total owners' equity | 96,100 |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | (164) |
| Deferred gain (loss) on hedging instruments, net of taxes | (2,016) |
| Total valuation and translation adjustments | (2,180) |

Total net assets **93,920**

Total liabilities and net assets **1,575,203**

Notes to the Consolidated Balance Sheet:

1. The amounts are rounded down to the nearest million of yen.
2. Trading Securities are stated at market value (cost of securities sold is determined by the moving-average method).
3. Available-for-sale securities whose fair value can be obtained from the market or estimated are carried at the fair value at the end of interim period (cost of securities sold is calculated by the moving-average method), and other available-for-sale securities with no market value are stated at cost or amortized cost (straight-line) computed by the moving-average method. Unrealized gain or loss on available-for-sale securities is included in the net assets, net of taxes.
4. Derivatives are stated at fair value.
5. Depreciation for tangible fixed assets of the Bank is computed using the declining-balance method (depreciation for buildings except for fixtures is computed using the straight-line method).
The estimated useful lives of primary buildings and equipment are as follows:
Building --- 8 years to 50 years
Equipment and furniture --- 2 years to 20 years
Depreciation for tangible fixed assets of consolidated subsidiaries is computed principally using the declining-balance method based on the estimated useful lives.
6. Amortization for intangible fixed assets is computed using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized over the estimated useful lives (5 years) as defined by the Bank and its consolidated subsidiaries. Goodwill is amortized using the straight-line method over 5 years and if the amount of goodwill is immaterial it is charged to the consolidated statements of operations in the year of acquisition.
7. Issuance costs of corporate notes are charged to the consolidated statements of operations in the year of issuance.
8. Loans acquired from other financial institutions, loans on deeds and bills discounted are recorded at acquisition costs in the balance sheet, and the difference between the acquisition costs and principal amount is amortized in proportion to the principal amount over the actual collection period. Overdrafts and loans on notes are carried at principal amount and the difference is recorded as a liability and is amortized over the actual collection period using the straight-line method. Loans that are classified as likely to become bankrupt, virtually bankrupt and legally bankrupt are recorded at acquisition costs and the difference is not amortized.
9. Foreign currency assets and liabilities are principally translated into yen equivalents using the exchange rates prevailing at the interim period end.
10. Reserve for possible loan losses of the Bank is provided pursuant to the internal rules for the write-off of claims and providing reserve for possible loan losses. For claims to debtors who are legally bankrupt or virtually bankrupt, a reserve is provided based on the amount of claims, after charge-offs as stated below, and net of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

For claims to debtors who are likely to become bankrupt and for which future cash flows can not be reasonably estimated, a reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of the claim, net amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors who are likely to become bankrupt or whose claims are restructured as noted in 19 below and the amount of claims exceeds certain levels for which the amount of future cash flows can be reasonably estimated, a reserve is provided for the difference between the present value of the expected future cash flows discounted using the initial contracted interest rate and the carrying value of the claim.

For other claims, a reserve is provided based on historical loan loss experience.

All claims are assessed by the business related divisions based on the internal rules for self-assessment of asset quality. The credit examination related division, which is independent from business related divisions, subsequently conducts examination of their assessments, and the reserve is provided based on the examination results.

Provisions for possible loan losses are directly offset with the corresponding income recognized by applying the amortized cost method since such income is arising from the change in credit risk of purchased claims.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of the collateral or guarantees, which is deemed uncollectible, has been charged-off against the respective claims. The amount of the charge-off as of September 30, 2006 was 18,591 million yen.

Reserve for possible loan losses for consolidated subsidiaries is provided based on historical loan loss experience for normal claims and estimated collectibility of each claim for claims that are rated as problem loan.

11. A reserve for employees' bonuses is provided for the payment of employees' bonuses based on the estimated amounts of the future payments attributed to the current interim period.
12. A reserve for directors' bonuses is provided for the payment of directors' bonuses based on the estimated amounts of the future payments attributed to the current interim period.
13. Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those leases which transfer ownership of leased equipment to the lessee, in which case the equipment is capitalized.
14. With respect to hedge accounting for interest rate risks arising from financial assets and liabilities, the Bank has adopted deferral hedges prescribed in the Industry Audit Committee Report No. 24, "Practical Guidelines for Accounting Financial Instruments", issued by the Japanese Institute of Certified Public Accountants ("JICPA"). As for the assessment of hedge effectiveness, the Bank groups the deposits (hedged items) and interest swap transactions (hedging instruments) by their maturities and evaluate its effectiveness.

15. The national consumption tax and the local consumption tax are excluded from transaction amounts. The portion of the national consumption tax and the local consumption tax, which are paid on the purchase of tangible fixed assets and are not deductible as a tax credit, are charged to expenses when incurred.
16. Accumulated depreciation on tangible fixed assets was 3,530 million yen.
17. Loans to bankrupt borrowers and past due loans are included in Loans and bills discounted, and the amounts were 1,074 million yen and 26,822 million yen, respectively.

Loans to bankrupt borrowers represent loans which have been placed in non-accrual status due to substantial delinquency or other reasons such as non-accrual loans, and meet certain provisions as stipulated in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation Tax Law of Japan. Past due loans represent non-accrual loans excluding those loans to bankrupt borrowers and loans for which interest payments are deferred in order to assist the financial recovery of debtors in financial difficulties.

DIP finance loans (finance to restructuring companies under turnaround procedures) of 400 million yen are included in the amount of loans to bankrupt borrowers. These loans are fully secured by collaterals and other means.
18. Loans past due three months or more are included in Loans and bills discounted, and the amount was 4 million yen. Loans past due three months or more are loans whose principal or interest payments are three months or more past due from the following day of the prescribed payment date. Loans to bankrupt borrowers and past due loans are excluded.
19. Restructured loans are included in Loans and bills discounted, and the amount was 11,855 million yen. Restructured loans are loans on which concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount or maturity amount of the debt or accrued interest) have been granted to debtors in financial difficulties to assist them in their financial recovery and eventually to be able to repay to creditors. Loans classified as loans to bankrupt borrowers, past due loans or loans past due three months or more are excluded.
20. Total amount of loans to bankrupt borrowers, past due loans, loans past due three months or more and restructured loans was 39,757 million yen. The amount stated in Notes 17 through 20 represents the gross receivable amounts before a reduction for the Reserve for possible loan losses.
21. With respect to Loan Participation, the total principal balance of loans which are accounted for as sales under JICPA Accounting System Committee Report No.3 issued on June 1, 1995 was 76 million yen. The amount of participated loans which were accounted for as loans to original debtors included in the balance sheet as of September 30, 2006 was 1,223 million yen.
22. Bills discounted are accounted for as secured lending transactions in conformity with the Industry Audit Committee Report No.24. Bank acceptances, commercial bills, bills of exchange, and foreign bills bought are permitted to be sold or (re) pledged and the total face value was 393 million.

23. Assets pledged as collateral were as follows:

Investment securities 24,162 million yen

Liabilities related to the pledged assets were as follows:

Deposits 274 million yen

In addition to above, Investment securities of 40,481 million yen were pledged as collateral for settlement of exchange transactions, and security deposits of 2,241 million yen were included in "Other assets."

24. Subordinated bonds of 3,000 million yen were included in "Corporate notes."

25. Net assets per common share was 134,171.65 yen.

Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 25, 2002) was revised on January 31, 2006 and applied since this fiscal year. As a result of applying this standard, "Deferred gain (loss) on hedging instruments, net of taxes" is included in the computation of net assets per common share and it decreased by 2,880.44 yen compared to the former standard.

26. Fair value and unrealized gain/loss of investment securities are as follows.

Available-for-sale securities with fair value: (in millions of yen)

| | Cost | Carrying value | Net unrealized gain (loss) |
|------------------|---------|----------------|----------------------------|
| Equities | 483 | 1,015 | 531 |
| Japanese bonds | 160,271 | 159,811 | (460) |
| Government bonds | 142,031 | 141,622 | (409) |
| Municipal bonds | 609 | 602 | (6) |
| Corporate bonds | 17,630 | 17,586 | (43) |
| Others | 87,369 | 87,175 | (348) |
| Total | 248,124 | 248,002 | (277) |

Where compound instruments in "Others" as a whole are marked to market, and unrealized gain (loss) is included in Income before income taxes, these instruments are excluded.

The unrealized gain (loss) amount, net of deferred tax assets of 112 million yen, were (164) million yen, which were included in "Unrealized gain (loss) on available-for-sale securities, net of taxes."

27. Securities whose fair value is not readily available are as follows:

(in millions of yen)

| | Balance sheet amount |
|---|----------------------|
| Available-for-sale securities | |
| Unlisted domestic equity securities (excluding OTC traded equities) | 2,337 |
| Corporate bonds (industrial bonds) | 44,602 |
| Others | 1,739 |

28. Contracts of overdraft facilities and loan commitment line are contracts under which customers are lent to up to the prescribed limits in response to the customers' application for a loan as long as there is no violation of any condition in the contracts. The unused amount within the limits relating to these contracts was 141,384 million yen, of which contracts whose original terms were within one year (or contracts unconditionally cancelable at voluntary timing) were 109,405 million yen. Since many of these commitments expire without being drawn, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank and its consolidated subsidiaries to refuse the customers' application for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness, etc.). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank and its consolidated subsidiaries perform periodic reviews (semi-annually) of the customers' business results based on internal rules, and take necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.
29. Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guideline No. 8, December 9, 2005) were applied since this fiscal year. As a result of applying these standards, the presentation was changed from this fiscal year as follows:
- (1) The former "Stockholders' equity" is presented as "Net assets" and classified into "Owners' equity" and "Valuation and translation adjustments" from this fiscal year. "Stockholders' equity" calculated based on the former standard, as of September 30, 2006 is 95,936 million yen.
 - (2) Deferred hedging loss included in "Other assets" is presented as "Deferred gain (loss) on hedging instruments, net of taxes" in "Valuation and translation adjustments."
 - (3) "Premises and equipment" is separately presented as "Tangible fixed assets", "Intangible fixed assets" and "Other assets."
 - (4) Software previously included in "Other assets" is included "Intangible fixed assets."
 - (5) "Consolidation differences" in liabilities is included in "Negative goodwill."

CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended September 30, 2006

| | | (in millions of yen) |
|---|--------|----------------------|
| Ordinary income: | | 36,629 |
| Interest and dividend income | 24,735 | |
| <i>Interest on loans and discounts</i> | 20,181 | |
| <i>Interest and dividends on securities</i> | 2,750 | |
| Fees and commissions | 5,817 | |
| Other operating income | 1,454 | |
| Other ordinary income | 4,622 | |
| Ordinary expenses: | | 23,811 |
| Interest expenses | 4,409 | |
| <i>Interest on deposits</i> | 4,323 | |
| Fees and commissions | 1,437 | |
| Other operating expenses | 91 | |
| General and administrative expenses | 15,026 | |
| Other ordinary expenses | 2,846 | |
| Ordinary profits | | 12,818 |
| Extraordinary gains | | 1,025 |
| Extraordinary losses | | 45 |
| Income before income taxes | | 13,797 |
| Income taxes: | | |
| Current | | 5,343 |
| Deferred | | 291 |
| Net Income | | 8,162 |

Notes to the Consolidated Statement of Operations:

1. The amounts are rounded down to the nearest million of yen.
2. Net income per common share is 11,661.32 yen.
3. "Other ordinary income" includes gain on recoveries of purchased loans of 3,300 million yen.
4. "Other ordinary expenses" includes write-offs of loans of 2,297 million yen
5. "Extraordinary gains" includes reversal of possible loan losses of 939 million yen and gain on sales of fixed assets of 85 million.
6. "Extraordinary losses" includes loss on disposal of fixed assets of 32 million yen and loss on impairment of fixed assets of 7 million yen.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the six months ended September 30, 2006

(in millions of yen)

| | Owners' equity | | | | Valuation and translation adjustment | | | Total net assets |
|--|----------------|-----------------|-------------------|---------------|---|---|---|------------------|
| | Common stock | Capital surplus | Retained earnings | Total | Unrealized gain (loss) on available-for-sale securities, net of taxes | Deferred gain (loss) on hedging instruments, net of taxes | Total valuation and translation adjustments | |
| Balance, at end of the previous period | 21,000 | 19,000 | 51,437 | 91,437 | (432) | - | (432) | 91,005 |
| Changes of items during the period | | | | | | | | |
| Cash dividends | - | - | (3,500) | (3,500) | - | - | - | (3,500) |
| Net income | - | - | 8,162 | 8,162 | - | - | - | 8,162 |
| Net changes of items other than owners' equity | - | - | - | - | 268 | (2,016) | (1,748) | (1,748) |
| Total changes of items during the period | - | - | 4,662 | 4,662 | 268 | (2,016) | (1,748) | 2,915 |
| Balance, at end of the period | 21,000 | 19,000 | 56,100 | 96,100 | (164) | (2,016) | (2,180) | 93,920 |

Notes:

- The amounts are rounded down to the nearest million.
- The number and class of shares issued and outstanding and treasury stock are as follows:

| | March 31, 2006 | Increase | Decrease | September 31, 2006 |
|----------------|----------------|----------|----------|--------------------|
| Issued shares | 700 | - | - | 700 |
| Common stock | 700 | - | - | 700 |
| Treasury stock | - | - | - | - |

- The number of stock warrants is as follows:

| | March 31, 2006 | Increase | Decrease | September 31, 2006 |
|--------------|----------------|----------|----------|--------------------|
| Common stock | 7,000 | - | 395 | 6,605 |

- The detail of cash dividend is as follows:

| | |
|--------------------------------|---|
| Date of declaration | May 26, 2006 (Board of directors' meeting) |
| Class of stock | Common stock |
| Total amount of cash dividends | 3,500 million |
| Dividend per share | 5,000 yen |
| Dividend record date | March 31, 2006 |
| Effective date | May 26, 2006 |

- Accounting Standard for Statement of Changes in Net Assets (ASBJ Statement No. 6, December 27, 2005) and Guidance on Accounting Standard for Statement of Changes in Net Assets (ASBJ Guideline No. 9, December 27, 2005) were applied since this fiscal year. As a result of applying these standards, consolidated statement of changes in net assets is disclosed instead of consolidated statement of capital surplus and retained earnings.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2006

(in millions of yen)

I. Cash Flows from Operating Activities

| | |
|--|---------------|
| Income before income taxes | 13,797 |
| Depreciation | 973 |
| Loss on impairment of fixed assets | 7 |
| Amortization of negative goodwill | (135) |
| Net increase in reserve for possible loan losses | 444 |
| Net decrease in reserve for employees' bonuses | (402) |
| Net decrease in reserve for directors' bonuses | (328) |
| Interest and dividend income | (24,735) |
| Interest expenses | 4,409 |
| Net (gain) loss on investment securities | (640) |
| Net (gain) loss on monetary assets held in trust | (76) |
| Net (gain) loss on sales of fixed assets | (52) |
| Net (increase) decrease in loans and bills discounted | (55,306) |
| Net increase (decrease) in deposits | 49,481 |
| Net increase (decrease) in non-subordinated borrowed money | (1,000) |
| Net (increase) decrease in due from banks excluding due from Bank of Japan | 10,687 |
| Net (increase) decrease in call loans and monetary receivables bought | (4,770) |
| Net (increase) decrease in foreign exchange assets | (109) |
| Net increase (decrease) in foreign exchange liabilities | (11) |
| Net increase (decrease) in non-subordinated corporate notes from issuance and redemption | 20,000 |
| Interest and dividends received | 21,089 |
| Interest paid | (884) |
| Others, net | 16 |
| Sub-total | 32,454 |
| Income taxes paid | (5,498) |
| Net cash provided by operating activities | 26,955 |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2006

(in millions of yen)

| | |
|--|-----------------|
| II. Cash flows from investing activities | |
| Purchases of investment securities | (82,176) |
| Proceeds from sales of investment securities | 27,027 |
| Proceeds from redemption of investment securities | 31,157 |
| Increase in monetary assets held in trust | (724) |
| Decrease in monetary assets held in trust | 846 |
| Purchases of tangible fixed assets | (307) |
| Proceeds from sales of tangible fixed assets | 159 |
| Purchases of intangible fixed assets | (486) |
| Net cash used in investing activities | (24,503) |
| III. Cash flows from financing activities | |
| Dividends paid | (3,443) |
| Net cash used in financing activities | (3,443) |
| IV. Net decrease in cash and cash equivalents | (991) |
| V. Cash and cash equivalents at beginning of the period | 101,692 |
| VI. Cash and cash equivalents at end of the period | 100,701 |

Notes to the Consolidated Statement of Cash Flows:

- The amounts are rounded down to the nearest million.
- For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from Bank of Japan ("Bank of Japan") included in the Cash and due from bank in the consolidated balance sheet.
- The reconciliation of the balance of cash and cash equivalents to the cash and due from banks in the consolidated balance sheet at end of the period is as follows:

| | |
|---|----------------------|
| | (in millions of yen) |
| Cash and due from banks | 108,138 |
| Due from banks excluding due from Bank of Japan | (7,436) |
| Cash and cash equivalents | <u>100,701</u> |

- Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guideline No. 8, December 9, 2005) were applied since this fiscal year. As a result of applying these standards, the presentation in consolidated statement of cash flows is changed from this fiscal year as follows:
 - "Amortization of consolidation differences" is included in "Amortization of negative goodwill."
 - With the reclassification of "Premises and equipment" into "Tangible fixed assets", "Intangible fixed assets" and "Other assets", the following presentations are changed.
 - "Net (gain) loss on sales of premises and equipment" is presented as "Net (gain) loss on sales of tangible fixed assets."
 - "Purchases of premises and equipment" is presented as "Purchases of tangible fixed assets."
 - "Proceeds from sales of premises and equipment" is presented as "Proceeds from sales of tangible fixed assets."

COMPARISON OF CONSOLIDATED BALANCE SHEETS

| (in millions of yen) | As of September 30, | | (A)-(B) | As of March 31, | |
|---|---------------------|------------------|----------------|------------------|---------------|
| | 2006 (A) | 2005 (B) | | 2006 (C) | (A)-(C) |
| Assets: | | | | | |
| Cash and due from banks | 108,138 | 109,242 | (1,104) | 119,816 | (11,678) |
| Call loans | 8,810 | 474 | 8,336 | 1,526 | 7,284 |
| Monetary receivables bought | 45,779 | 53,627 | (7,848) | 48,293 | (2,514) |
| Trading securities | 6 | 9 | (3) | 7 | (1) |
| Monetary assets held in trust | 3,643 | 4,238 | (595) | 3,670 | (27) |
| Investment securities | 296,682 | 324,694 | (28,012) | 271,478 | 25,204 |
| Loans and bills discounted | 1,088,095 | 923,946 | 164,149 | 1,031,891 | 56,204 |
| Foreign exchange | 384 | 307 | 77 | 275 | 109 |
| Other assets | 15,251 | 16,732 | (1,481) | 23,601 | (8,350) |
| Premises and equipment | - | 14,767 | - | 13,969 | - |
| Tangible fixed assets | 11,445 | - | - | - | - |
| Intangible fixed assets | 5,028 | - | - | - | - |
| Deferred tax assets | 13,314 | 11,527 | 1,787 | 12,402 | 912 |
| Customers' liabilities for acceptances and guarantees | 2,193 | 3,758 | (1,565) | 2,326 | (133) |
| Reserve for possible loan losses | (23,570) | (22,959) | (611) | (23,768) | 198 |
| Total assets | 1,575,203 | 1,440,366 | 134,837 | 1,505,492 | 69,711 |
| Liabilities and stockholders' equity | | | | | |
| Liabilities: | | | | | |
| Deposits | 1,414,196 | 1,305,406 | 108,790 | 1,364,714 | 49,482 |
| Negotiable certificates of deposit | - | 10,000 | (10,000) | - | - |
| Borrowed money | - | 1,000 | (1,000) | 1,000 | (1,000) |
| Foreign exchange | 3 | - | 3 | 14 | (11) |
| Corporate notes | 23,000 | 3,000 | 20,000 | 3,000 | 20,000 |
| Other liabilities | 39,892 | 32,404 | 7,488 | 40,566 | (674) |
| Reserve for employees' bonuses | 1,126 | 928 | 198 | 1,528 | (402) |
| Reserve for directors' bonuses | 708 | 495 | 213 | 1,037 | (329) |
| Consolidation differences | - | 433 | - | 297 | - |
| Negative goodwill | 162 | - | - | - | - |
| Acceptances and guarantees | 2,193 | 3,758 | (1,565) | 2,326 | (133) |
| Total liabilities | 1,481,282 | 1,357,426 | 123,856 | 1,414,486 | 66,796 |
| Stockholders' equity: | | | | | |
| Common stock | - | 21,000 | - | 21,000 | - |
| Capital surplus | - | 19,000 | - | 19,000 | - |
| Retained earnings | - | 42,548 | - | 51,437 | - |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | - | 391 | - | (432) | - |
| Total stockholders' equity | - | 82,940 | - | 91,005 | - |
| Total liabilities and stockholders' equity | - | 1,440,366 | - | 1,505,492 | - |
| Net assets: | | | | | |
| Common stock | 21,000 | - | - | - | - |
| Capital surplus | 19,000 | - | - | - | - |
| Retained earnings | 56,100 | - | - | - | - |
| Total owners' equity | 96,100 | - | - | - | - |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | (164) | - | - | - | - |
| Deferred gain (loss) on hedging instruments, net of taxes | (2,016) | - | - | - | - |
| Total valuation and translation adjustments | (2,180) | - | - | - | - |
| Total net assets | 93,920 | - | - | - | - |
| Total liabilities and net assets | 1,575,203 | - | - | - | - |

Note: The amounts are rounded down to the nearest million of yen.

COMPARISON OF CONSOLIDATED STATEMENTS OF OPERATIONS

| (in millions of yen) | For six months ended September 30, | | | For year ended |
|--|------------------------------------|----------|---------|----------------|
| | 2006 (A) | 2005 (B) | (A)-(B) | March 31, 2006 |
| Ordinary income: | 36,629 | 32,066 | 4,563 | 68,323 |
| Interest and dividend income | 24,735 | 22,273 | 2,462 | 46,598 |
| <i>Interest on loans and discounts</i> | 20,181 | 18,246 | 1,935 | 38,192 |
| <i>Interest on and dividends from securities</i> | 2,750 | 2,616 | 134 | 5,333 |
| Fees and commissions | 5,817 | 4,435 | 1,382 | 11,025 |
| Other operating income | 1,454 | 1,213 | 241 | 1,971 |
| Other ordinary income | 4,622 | 4,143 | 479 | 8,727 |
| Ordinary expenses: | 23,811 | 22,808 | 1,003 | 44,279 |
| Interest expenses | 4,409 | 3,923 | 486 | 7,857 |
| <i>Interest on deposits</i> | 4,323 | 3,875 | 448 | 7,762 |
| Fees and commissions | 1,437 | 1,129 | 308 | 2,334 |
| Other operating expenses | 91 | 191 | (100) | 622 |
| General and administrative expenses | 15,026 | 13,341 | 1,685 | 27,648 |
| Other ordinary expenses | 2,846 | 4,223 | (1,377) | 5,817 |
| Ordinary profits | 12,818 | 9,258 | 3,560 | 24,043 |
| Extraordinary gains | 1,025 | 5,309 | (4,284) | 5,731 |
| Extraordinary losses | 45 | 484 | (439) | 751 |
| Income before income taxes | 13,797 | 14,083 | (286) | 29,022 |
| Income taxes | | | | |
| Current | 5,343 | 6,043 | (700) | 12,404 |
| Deferred | 291 | (220) | 511 | (531) |
| Net income | 8,162 | 8,260 | (98) | 17,149 |

Note: The amounts are rounded down to the nearest million of yen.

**COMPARISON OF CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS
AND RETAINED EARNINGS**

| (in millions of yen) | For six months ended September 30, | | | For year ended |
|--|------------------------------------|----------|---------|----------------|
| | 2006 (A) | 2005 (B) | (A)-(B) | March 31, 2006 |
| Capital surplus | | | | |
| Balance, at beginning of the period | - | 19,000 | - | 19,000 |
| Balance, at end of the period | - | 19,000 | - | 19,000 |
| Retained earnings | | | | |
| Balance, at beginning of the period | - | 35,588 | - | 35,588 |
| Additions | - | 8,260 | - | 17,149 |
| <i>Net income</i> | - | 8,260 | - | 17,149 |
| Deductions | - | 1,300 | - | 1,300 |
| <i>Dividend declared</i> | - | 1,300 | - | 1,300 |
| Balance, at end of the period | - | 42,548 | - | 51,437 |

Note: The amounts are rounded down to the nearest million of yen.

Consolidated statement of capital surplus and retained earnings was rescinded and consolidated statement of changes in net assets is adopted from this fiscal year. Please see 10 page for consolidated statement of changes in net assets.

COMPARISON OF CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in millions of yen) | For six months ended September 30, | | | For year ended |
|--|------------------------------------|-----------------|----------------|------------------|
| | 2006 (A) | 2005 (B) | (A)-(B) | March 31, 2006 |
| Cash Flows from Operating Activities | | | | |
| Income before income taxes | 13,797 | 14,083 | (286) | 29,022 |
| Depreciation | 973 | 724 | 249 | 1,612 |
| Loss on impairment of fixed assets | 7 | 25 | (18) | 25 |
| Amortization of consolidation differences | - | (138) | - | (274) |
| Amortization of negative goodwill | (135) | - | - | - |
| Net increase in reserve for possible loan losses | 444 | (914) | 1,358 | (700) |
| Net decrease in reserve for employees' bonuses | (402) | (488) | 86 | 111 |
| Net decrease in reserve for directors' bonuses | (328) | 260 | (588) | 802 |
| Interest and dividend income | (24,735) | (22,273) | (2,462) | (46,598) |
| Interest expenses | 4,409 | 3,923 | 486 | 7,857 |
| Net (gain) loss on investment securities | (640) | (2,787) | 2,147 | (4,119) |
| Net (gain) loss on monetary assets held in trust | (76) | (147) | 71 | (285) |
| Net (gain) loss on sales of premises and equipment | - | (308) | - | (1,340) |
| Net (gain) loss on sales of fixed assets | (52) | - | - | - |
| Net (increase) decrease in loans and bills discounted | (55,306) | (58,033) | 2,727 | (162,623) |
| Net increase (decrease) in deposits | 49,481 | (22,669) | 72,150 | 36,637 |
| Net increase (decrease) in negotiable certificates of deposit | - | 10,000 | (10,000) | - |
| Net increase (decrease) in non-subordinated borrowed money | (1,000) | (3,300) | 2,300 | (3,300) |
| Net (increase) decrease in due from banks excluding due from Bank of Japan | 10,687 | 4,996 | 5,691 | 3,447 |
| Net (increase) decrease in call loans and monetary receivables bought | (4,770) | (2,531) | (2,239) | 1,751 |
| Net (increase) decrease in foreign exchange assets | (109) | (70) | (39) | (38) |
| Net increase (decrease) in foreign exchange liabilities | (11) | (5) | (6) | 9 |
| Net increase (decrease) in non-subordinated corporate notes from issuance and redemption | 20,000 | - | 20,000 | - |
| Interest and dividends received | 21,089 | 18,526 | 2,563 | 38,568 |
| Interest paid | (884) | (714) | (170) | (1,235) |
| Others, net | 16 | (1,984) | 2,000 | (4,978) |
| Sub-total | 32,454 | (63,828) | 96,282 | (105,646) |
| Income taxes paid (including provisional payment) | (5,498) | (12,541) | 7,043 | (16,761) |
| Net cash provided by (used in) operating activities | 26,955 | (76,369) | 103,324 | (122,408) |

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

| (in millions of yen) | For six months ended September 30, | | (A)-(B) | For year ended |
|---|------------------------------------|-----------------|-----------------|-----------------|
| | 2006 (A) | 2005 (B) | | March 31, 2006 |
| Cash flows from investing activities | | | | |
| Purchases of investment securities | (82,176) | (223,706) | 141,530 | (382,235) |
| Proceeds from sales of investment securities | 27,027 | 184,228 | (157,201) | 363,777 |
| Proceeds from redemption of investment securities | 31,157 | 76,691 | (45,534) | 108,707 |
| Increase in monetary assets held in trust | (724) | - | (724) | (455) |
| Decrease in monetary assets held in trust | 846 | 230 | 616 | 1,392 |
| Purchases of premises and equipment | - | (648) | - | (1,943) |
| Purchases of tangible fixed assets | (307) | - | - | - |
| Proceeds from sales of premises and equipment | - | 2,356 | - | 4,972 |
| Proceeds from sales of tangible fixed assets | 159 | - | - | - |
| Purchases of intangible fixed assets | (486) | - | - | - |
| Payments for acquisition of subsidiaries | - | (367) | 367 | (367) |
| Net cash (used in) provided by investing activities | (24,503) | 38,783 | (63,286) | 93,848 |
| Cash flows from financing activities | | | | |
| Dividends paid | (3,443) | (1,300) | (2,143) | (1,300) |
| Net cash used in financing activities | (3,443) | (1,300) | (2,143) | (1,300) |
| Net increase in cash and cash equivalents | (991) | (38,885) | 37,894 | (29,860) |
| Cash and cash equivalents at beginning of the period | 101,692 | 131,553 | (29,861) | 131,553 |
| Cash and cash equivalents at end of the period | 100,701 | 92,667 | 8,034 | 101,692 |

Note: The amounts are rounded down to the nearest million of yen.

Significant Policies in Preparation of Consolidated Financial Statements

(1) Scope of consolidation

1) Consolidated subsidiaries: 3

Principal subsidiaries

TSB Capital, Ltd.

TSB Servicer, Ltd.

The Star-Gin Real Estate Management Co., Ltd. is under liquidation proceedings.

2) Non-consolidated subsidiaries

There are no non-consolidated subsidiaries.

(2) Application of equity method

There are no affiliates accounted for under the equity method.

(3) Fiscal year end of consolidated subsidiaries

Fiscal year ends of all consolidated subsidiaries are March 31.

Segment Information

(1) Business segment information

Besides the banking business, certain consolidated subsidiaries engage in other businesses such as credit card business. Such information is, however, not disclosed since the proportion of those businesses in total is not significant.

(2) Geographic segment information

The information is not applicable since there is no foreign subsidiaries or branches.

(3) Ordinary income from overseas operations

The information is not disclosed since ordinary income from overseas operations is less than 10% of ordinary income on a consolidated basis.

Production, receipt of orders and distribution

The information is not applicable since there is no relevant information due to the nature of operations of banking business.

Investment Securities

1. As of September 30, 2006

(1) Available-for-sale securities with a readily determinable fair value: (in millions of yen)

| | Cost | Carrying value | Net unrealized gain (loss) |
|------------------|---------|----------------|----------------------------|
| Equities | 483 | 1,015 | 531 |
| Japanese bonds | 160,271 | 159,811 | (460) |
| Government bonds | 142,031 | 141,622 | (409) |
| Municipal bonds | 609 | 602 | (6) |
| Corporate bonds | 17,630 | 17,586 | (43) |
| Others | 87,369 | 87,175 | (348) |
| Total | 248,124 | 248,002 | (277) |

(2) Securities whose fair value is not readily available are as follows: (in millions of yen)

| | Balance sheet amount |
|---|----------------------|
| Available-for-sale securities | |
| Unlisted domestic equity securities (excluding OTC traded equities) | 2,337 |
| Corporate bonds (industrial bonds) | 44,602 |
| Others | 1,739 |

2. As of September 30, 2005

(1) Trading securities:

| | |
|-------------------------|-----------------|
| Carrying value | 9 million yen |
| Net holding gain (loss) | (0) million yen |

(2) Available-for-sale securities with a readily determinable fair value: (in millions of yen)

| | Cost | Carrying value | Net unrealized gain (loss) | Gain | Loss |
|------------------|---------|----------------|----------------------------|-------|------|
| Japanese bonds | 147,917 | 147,920 | 3 | 94 | 91 |
| Government bonds | 138,806 | 138,820 | 14 | 93 | 78 |
| Municipal bonds | 109 | 109 | (0) | 0 | 0 |
| Corporate bonds | 9,001 | 8,990 | (11) | 1 | 12 |
| Others | 143,248 | 143,977 | 659 | 1,191 | 532 |
| Total | 291,165 | 291,898 | 662 | 1,286 | 623 |

(3) Available-for-sale securities sold during the year: (in millions of yen)

| | Proceeds from sales | Gain on sales | Loss on sales |
|-------------------------------|---------------------|---------------|---------------|
| Available-for-sale securities | 183,699 | 1,106 | 55 |

(4) Securities whose fair value is not readily available are as follows: (in millions of yen)

| | Balance sheet amount |
|---|----------------------|
| Available-for-sale securities | |
| Unlisted domestic equity securities (excluding OTC traded equities) | 3,389 |
| Corporate bonds (industrial bonds) | 27,556 |
| Others | 1,850 |

(5) Contractual maturities of bonds classified as Available for sale securities is as follows:

(in millions of yen)

| | Within 1 year | After 1 year through 5 years | After 5 years through 10 years | After 10 years |
|------------------|---------------|------------------------------|--------------------------------|----------------|
| Japanese bonds | 66,783 | 104,581 | 4,112 | - |
| Government bonds | 55,694 | 83,004 | 121 | - |
| Municipal bonds | - | 8 | 100 | - |
| Corporate bonds | 11,088 | 21,568 | 3,890 | - |
| Other | 13,583 | 59,819 | 39,924 | - |
| Total | 80,366 | 164,400 | 44,036 | - |

3. As of March 31, 2006

(1) Trading securities:

| | |
|-------------------------|-----------------|
| Carrying value | 7 million yen |
| Net holding gain (loss) | (0) million yen |

(2) Available-for-sale securities with a readily determinable fair value: (in millions of yen)

| | Cost | Carrying value | Net unrealized gain (loss) | Gain | Loss |
|------------------|---------|----------------|----------------------------|-------|-------|
| Equities | 579 | 1,694 | 1,114 | 1,114 | - |
| Japanese bonds | 146,701 | 145,411 | (1,290) | 12 | 1,303 |
| Government bonds | 128,319 | 127,084 | (1,234) | 11 | 1,245 |
| Municipal bonds | 609 | 596 | (12) | 0 | 12 |
| Corporate bonds | 17,773 | 17,730 | (43) | 1 | 44 |
| Others | 87,140 | 86,592 | (549) | 508 | 1,058 |
| Total | 234,421 | 233,697 | (725) | 1,635 | 2,361 |

(3) Available-for-sale securities sold during the year: (in millions of yen)

| | Proceeds from sales | Gain on sales | Loss on sales |
|-------------------------------|---------------------|---------------|---------------|
| Available-for-sale securities | 363,777 | 1,744 | 504 |

(4) Securities whose fair value is not readily available are as follows: (in millions of yen)

| | Balance sheet amount |
|---|----------------------|
| Available-for-sale securities | |
| Unlisted domestic equity securities (excluding OTC traded equities) | 3,356 |
| Corporate bonds (industrial bonds) | 32,655 |
| Others | 1,766 |

(6) Contractual maturities of bonds classified as Available for sale securities is as follows:

(in millions of yen)

| | Within 1 year | After 1 year through 5 years | After 5 years through 10 years | After 10 years |
|------------------|---------------|------------------------------|--------------------------------|----------------|
| Japanese bonds | 19,236 | 123,082 | 27,962 | 7,785 |
| Government bonds | 15,686 | 89,896 | 13,716 | 7,785 |
| Municipal bonds | - | 498 | 98 | - |
| Corporate bonds | 3,550 | 32,688 | 14,147 | - |
| Other | 14,059 | 30,766 | 24,114 | 2,295 |
| Total | 33,296 | 153,848 | 52,077 | 10,080 |

Monetary Assets Held in Trust

1. As of September 30, 2006

(1) Monetary assets held in trust held-to-maturity:

Not applicable

(2) Monetary assets held in trust available-for-sale:

Not applicable

2. As of September 30, 2005

(1) Monetary assets held in trust for trading purposes:

| | |
|-------------------------|-------------------|
| Carrying value | 4,238 million yen |
| Net holding gain (loss) | (20) million yen |

(2) Monetary assets held in trust held-to-maturity:

Not applicable

(3) Monetary assets held in trust available-for-sale:

Not applicable

3. As of March 31, 2006

(1) Monetary assets held in trust for trading purposes:

| | |
|-------------------------|-------------------|
| Carrying value | 3,670 million yen |
| Net holding gain (loss) | (17) million yen |

(2) Monetary assets held in trust held-to-maturity:

Not applicable

(3) Monetary assets held in trust available-for-sale:

Not applicable

Unrealized Gain (Loss) on Available-for-sale Securities

1. As of September 30, 2006

Components of unrealized gain (loss) on available-for-sale securities:

(in millions of yen)

| | |
|---|-------|
| Gross valuation differences | (277) |
| Available-for-sale securities | (277) |
| Deferred tax assets (liabilities) | 112 |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | (164) |

2. As of September 30, 2005

Components of unrealized gain (loss) on available-for-sale securities:

(in millions of yen)

| | |
|---|-------|
| Gross valuation differences | 662 |
| Available-for-sale securities | 662 |
| Deferred tax assets (liabilities) | (270) |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | 391 |

3. As of March 31, 2006

Components of unrealized gain (loss) on available-for-sale securities:

(in millions of yen)

| | |
|---|-------|
| Gross valuation differences | (725) |
| Available-for-sale securities | (725) |
| Deferred tax assets (liabilities) | 293 |
| Unrealized gain (loss) on available-for-sale securities, net of taxes | (432) |

Per Share Information

(in yen)

| | For the six months ended March 31, | | For the year ended March 31, 2006 |
|-----------------------------|------------------------------------|------------|--------------------------------------|
| | 2005 | 2006 | |
| Net assets per common share | 118,486.05 | 134,171.65 | 130,007.85 |
| Net income per common share | 11,800.37 | 11,661.32 | 24,499.10 |

Notes: 1. The basis in calculating net income per common share is as follows:

(in millions of yen except number of shares)

| | For the six months ended March 31, | | For the year ended March 31, 2006 |
|---|------------------------------------|---------|--------------------------------------|
| | 2005 | 2006 | |
| Net income | 8,260 | 8,162 | 17,149 |
| Amount not available to stockholders | - | - | - |
| Net income available to stockholders | 8,260 | 8,162 | 17,149 |
| Weighted average number of shares of common stock outstanding | 700,000 | 700,000 | 700,000 |

2. Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 25, 2002) was revised on January 31, 2006 and applied since this fiscal year. As a result of applying this standard, “Deferred gain (loss) on hedging instruments, net of taxes” is included in the computation of net assets per common share, and net assets per common share decreased by 2,880.44 yen compared to the former standard.

Subsequent Events

The Tokyo Star Bank, Limited issued unsecured straight bonds in the domestic capital market based on the decision of the representative executive officer on October 27, 2006. The detail of bonds is as follows:

| | |
|-----------------------|-----------------------------------|
| 1. Total Issue Amount | 20 billion yen |
| 2. Issue Price | 100 yen per 100 yen in face value |
| 3. Coupon | 1.78% per annum |
| 4. Payment Date | November 16, 2006 |
| 5. Maturity Date | November 16, 2011 |
| 6. Purpose of Funds | Operating Capital |