

**Consolidated Financial Results**  
*for the 1st Quarter Results of Fiscal 2006*



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東京スター銀行

For Immediate Press Release:

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## Consolidated Financial Results for the 1st Quarter of Fiscal 2006 ended June 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

*The financial information presented here has not been audited.*

*Simplified accounting treatments are used for the depreciation of fixed assets and income taxes.*

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

### 1. Summary of Consolidated Financial Results for the 1st Quarter of Fiscal 2006

#### (1) Operating Results

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

	For the three months ended June 30,		For the year ended March 31, 2006
	2006	2005	
Ordinary income	17,791	15,498	68,323
Change from the previous period	14.8 %	8.0 %	8.3 %
Ordinary profits	6,847	2,719	24,043
Change from the previous period	151.8 %	(60.9)%	5.7 %
Net income	4,143	5,445	17,149
Change from the previous period	(23.9)%	0.9 %	17.7 %
Net income per common share (yen)	5,918.69	38,896.07	24,499.10

Average number of shares outstanding:

For the three months ended June 30, 2006:	(Common stock)	700,000 shares
For the three months ended June 30, 2005:	(Common stock)	140,000 shares
For the year ended March 31, 2006:	(Common stock)	700,000 shares

Notes

*The Bank consummated a five-for-one stock split on September 1, 2005. If the stock split had been made on April 1, 2005, net income per common share would have been 7,779.21 yen for the three months ended June 30, 2005.*

**(2) Financial Conditions**

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

	As of June 30,		As of March 31,
	2006	2005	2006
Total assets	1,563,718	1,443,115	1,505,492
Net assets	87,019	80,443	91,005
Ratio of net assets to total assets	5.6%	5.6%	6.0%
Net assets per common share	124,313.64	574,598.15	130,007.85

Number of shares outstanding as of:

June 30, 2006:	(Common stock)	700,000 shares
June 30, 2005:	(Common stock)	140,000 shares
March 31, 2005:	(Common stock)	700,000 shares

*If the stock split had been made on April 1, 2005, net assets per common share would have been 114,919.63 yen for the three months ended June 30, 2005.*

**2. Earning Projections for the Fiscal Year Ending March 31, 2007**

Earning projections for the fiscal year ending March 31, 2007 remains the same as the ones which were previously disclosed on May 26, 2006 shown as below.

	For the six-months ending September 30, 2006	For the year ending March 31, 2007
Ordinary income	35,000	75,500
Ordinary profits	12,500	26,500
Net income	7,400	15,700

(Note)

The information contains forward-looking statements. The forward-looking statements are inherently susceptible to risks and uncertainties and does not guarantee future performance. Please note that future performance may differ from the prospect due to matters such as changes in business environments.

## Overview (Consolidated)

### Earnings

- Our Ordinary Profits increased by JPY 4.1 billion or 151.8% over the prior year quarter to JPY 6.8 billion primarily due to an increase in interest income on loans (JPY 1.3 billion) and a decrease in write-off of loans (JPY 2.2 billion).
- Net Income decreased by JPY 1.3 billion or 23.9% over the prior year quarter to JPY 4.1 billion primarily due to a decrease in gains on reversal of reserve for possible loan losses (JPY 6.0 billion).
- Return on Assets and Return on Equity remained strong at 1.08 % and 18.66 %, respectively.

### Loans and Deposits

- Outstanding loan balance steadily increased to JPY 1,070.8 billion, up by JPY 170.4 billion or 18.9% over the prior year quarter.
- Both business segments, Retail and Corporate, contributed to our loan growth with Retail Banking loans up by 40.3% and Corporate Banking loans up by 13.0% over the prior year quarter.
- End balance of deposits including negotiable certificate deposits was JPY 1,391.0 billion, up by JPY 73.6 billion or 5.5% over the prior year quarter. Of the total deposits, deposits from individuals comprise around 80% and time deposits comprise around 70%. These factors contribute to our stable funding.
- Loan-to-deposit ratio at the end of the quarter was 76.9%, up from 68.3% at the end of the prior year quarter.

### Asset Quality

- Our problem loan ratio under the Financial Revitalization Law declined to 3.83% from 4.37% at the end of the prior year quarter.

### <Reference>

<On a Consolidated Basis> (in millions of yen, except figures in percentage and yen)

	1st Quarter Fiscal 2006	1st Quarter Fiscal 2005	Variance	Variance (%)	Earning Projections *	
					1st Half	Full Year
Ordinary Income	17,791	15,498	2,293	14.7	35,000	75,500
Ordinary Profits	6,847	2,719	4,128	151.8	12,500	26,500
Net Income	4,143	5,445	(1,302)	(23.9)	7,400	15,700
Net Income per Share ** (yen)	5,918.68	7,779.21	(1,860.53)	(23.9)	—	22,428.57

\* The projections are same as the information disclosed on May 26, 2006. For the remarks on the earnings projections, please refer to page 2.

\*\* We consummated a five-for-one stock split on September 1, 2005. Net Income per Share (NIPS) for 1st Quarter of Fiscal 2005 shown above is the NIPS re-calculated based on the assumption that the stock split had been made on April 1, 2004 for comparison. (NIPS for 1st Quarter of Fiscal 2005 before the re-calculation was JPY 38,896.07.)

COMPARISON OF CONSOLIDATED BALANCE SHEETS

(in millions of yen)	As of June 30,		(A)-(B)	As of March 31,
	2006 (A)	2005 (B)		2006
<b>Assets:</b>	(Unaudited)	(Unaudited)		
Cash and due from banks	37,773	63,836	(26,063)	119,816
Call loans	78,758	11,223	67,535	1,526
Monetary receivables bought	62,198	52,228	9,970	48,293
Trading securities	6	9	(3)	7
Monetary assets held in trust	3,659	4,233	(574)	3,670
Investment securities	285,053	381,204	(96,151)	271,478
Loans and bills discounted	1,070,822	900,351	170,471	1,031,891
Foreign exchanges	846	387	459	275
Other assets	15,903	20,518	(4,615)	23,601
Premises and equipment	-	15,569	-	13,969
Tangible fixed assets	11,500	-	-	-
Intangible fixed assets	3,085	-	-	-
Deferred tax assets	15,586	11,380	4,206	12,402
Customers' liabilities for acceptances and guarantees	2,261	3,888	(1,627)	2,326
Reserve for possible loan losses	(23,738)	(21,716)	(2,022)	(23,768)
<b>Total assets</b>	<b>1,563,718</b>	<b>1,443,115</b>	<b>120,603</b>	<b>1,505,492</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Liabilities:</b>				
Deposits	1,381,089	1,317,446	63,643	1,364,714
Negotiable certificates of deposit	10,000	-	10,000	-
Payables under securities lending transactions	2,914	-	2,914	-
Call money	10,000	-	10,000	-
Borrowed money	-	1,000	(1,000)	1,000
Foreign exchanges	0	16	(16)	14
Corporate bonds and notes	23,000	3,000	20,000	3,000
Other liabilities	46,472	36,162	10,310	40,566
Reserve for employees' bonus	657	537	120	1,528
Reserve for directors' bonus	78	83	(5)	1,037
Negative goodwill	224	537	(313)	297
Acceptances and guarantees	2,261	3,888	(1,627)	2,326
<b>Total liabilities</b>	<b>1,476,698</b>	<b>1,362,671</b>	<b>114,027</b>	<b>1,414,486</b>

Note: Due to the amendments of the "Banking Law Enforcement Regulations" effective from this fiscal year beginning April 1, 2006, the presentation of the accounts below have been changed from this fiscal year.

(1) "Premises and equipment" has been separately presented as "Tangible fixed assets," "Intangible fixed assets" and "Other assets" from this fiscal year.

(2) Software previously included in "Other assets" has been included in "Intangible assets" from this fiscal year.

COMPARISON OF CONSOLIDATED BALANCE SHEETS

(in millions of yen)	As of June 30,		(A)-(B)	As of March 31,
	2006 (A)	2005 (B)		2006
<b>Stockholders' equity:</b>	(Unaudited)	(Unaudited)		
Common stock	-	21,000	-	21,000
Capital surplus	-	19,000	-	19,000
Retained earnings	-	39,733	-	51,437
Unrealized gains (losses) on securities available for sale, net of tax	-	709	-	(432)
<b>Total stockholders' equity</b>	-	80,443	-	91,005
<b>Total liabilities and stockholders' equity</b>	-	1,443,115	-	1,505,492
<b>Net assets:</b>				
Common stock	21,000	-	-	-
Capital surplus	19,000	-	-	-
Retained earnings	52,080	-	-	-
Total owners' equity	92,080	-	-	-
Unrealized gains (losses) on securities available for sale, net of tax	(920)	-	-	-
Deferred gains (losses) on hedging instruments, net of tax	(4,140)	-	-	-
Total valuation and translation adjustments	(5,061)	-	-	-
<b>Total net assets</b>	87,019	-	-	-
<b>Total liabilities and net assets</b>	1,563,718	-	-	-

Note: Due to the application of "Accounting Standards for Presentation of Net Assets in the Balance Sheet" and the "Guideline on Accounting Standards for Presentation of Net Assets in the Balance Sheet" effective from the fiscal year beginning April 1, 2006, the former "Stockholders' equity" and other items are presented as "Net assets" from this fiscal year.

COMPARISON OF CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions of yen)	For the three months ended June 30,			For year ended
	2006 (A)	2005 (B)	(A)-(B)	March 31, 2006
	(Unaudited)	(Unaudited)		
<b>Ordinary income:</b>	17,791	15,498	2,293	68,323
Interest income	12,047	10,310	1,737	46,598
<i>Interest on loans and discounts</i>	9,877	8,483	1,394	38,192
<i>Interest and dividends on securities</i>	1,278	1,183	95	5,333
Fees and commissions	3,024	2,156	868	11,025
Other operating income	798	1,499	(701)	1,971
Other ordinary income	1,921	1,531	390	8,727
<b>Ordinary expenses:</b>	10,943	12,778	(1,835)	44,279
Interest expenses	2,066	1,960	106	7,857
<i>Interest on deposits</i>	2,040	1,923	117	7,762
Fees and commissions	686	390	296	2,334
Other operating expenses	60	60	(0)	622
General and administrative expenses	7,293	6,802	491	27,648
Other ordinary expenses	835	3,565	(2,730)	5,817
<b>Ordinary profits</b>	6,847	2,719	4,128	24,043
Extraordinary gains	322	6,717	(6,395)	5,731
<i>Reversal of reserve for possible loan losses</i>	322	6,399	(6,077)	3,716
Extraordinary losses	12	112	(100)	751
<b>Income before income taxes</b>	7,158	9,325	(2,167)	29,022
Income taxes				
Current	3,015	3,880	(865)	12,404
Deferred	-	-	-	(531)
<b>Net income</b>	4,143	5,445	(1,302)	17,149

## Selected Financial Information of 1st Quarter Results

### 1. Operating Results

(1) 【Consolidated basis】

(in millions of yen)

	For the three months ended June 30,		Increase/(Decrease) (A) - (B)
	2006 (A)	2005 (B)	
<b>Gross Operating Profits</b>	<b>13,056</b>	<b>11,555</b>	<b>1,501</b>
Net Interest Income	9,980	8,350	1,630
Net Fees and Commissions	2,337	1,766	571
Net Other Operating Income	737	1,438	(701)
General & Administrative Expenses	7,293	6,802	491
Provision for General Reserve for Possible Loan Losses	-	-	-
Other Income & Expenses	1,085	(2,033)	3,118
of which Net Gains & Losses on Equity Securities	155	-	155
of which Credit Costs (minus)	781	3,008	(2,227)
<b>Ordinary Profits</b>	<b>6,847</b>	<b>2,719</b>	<b>4,128</b>
Extraordinary Gains & Losses	310	6,605	(6,295)
of which Net Gains & Losses on Sales of Tangible Fixed Assets	(12)	203	(215)
of which Collection of Written-off Claims	0	1	(1)
of which Gains on Reversal of Reserve for Possible Loan Losses	322	6,399	(6,077)
<b>Income before Income Taxes</b>	<b>7,158</b>	<b>9,325</b>	<b>(2,167)</b>
Income Taxes (Current & Deferred)	3,015	3,880	(865)
<b>Net Income</b>	<b>4,143</b>	<b>5,445</b>	<b>(1,302)</b>

Note: Gross Operating Profits = (Interest income - Interest expenses) + (Fees and commission income - Fees and commission expenses)  
+ (Other operating income - Other operating expenses)



(2) 【Non-consolidated basis】

(in millions of yen)

	For the three months ended June 30,		Increase/(Decrease) (A) - (B)
	2006 (A)	2005 (B)	
<b>Gross Operating Profits</b>	<b>12,108</b>	<b>10,640</b>	<b>1,468</b>
Net Interest Income	9,728	8,151	1,577
Interest Income	11,789	10,101	1,688
Interest Expenses	2,060	1,949	111
Net Fees and Commissions	1,643	1,371	272
Fees and Commission Income	2,986	2,222	764
Fees and Commission Expenses	1,342	850	492
Net Other Operating Income	736	1,117	(381)
Other Operating Income	797	1,122	(325)
Other Operating Expenses	60	4	56
General & Administrative Expenses	7,309	6,488	821
Personnel Expenses	2,934	2,883	51
Nonpersonnel Expenses	3,926	3,184	742
Taxes	447	420	27
<b>Net Operating Income (before General Reserve)</b>	<b>4,799</b>	<b>4,152</b>	<b>647</b>
Provision for General Reserve for Possible Loan Losses	-	-	-
<b>Net Operating Income</b>	<b>4,799</b>	<b>4,152</b>	<b>647</b>
Other Income & Expenses	1,032	(1,460)	2,492
of which Net Gains & Losses on Equity Securities	146	-	146
of which Credit Costs	758	3,000	(2,242)
Other Income	1,849	2,111	(262)
Other Expenses	816	3,572	(2,756)
<b>Ordinary Profits</b>	<b>5,832</b>	<b>2,691</b>	<b>3,141</b>
Extraordinary Gains & Losses	985	6,849	(5,864)
Extraordinary Gains	997	6,950	(5,953)
of which Reversal of Reserve for Possible Loan Losses	997	6,633	(5,636)
Extraordinary Losses	12	100	(88)
<b>Income before Income Taxes</b>	<b>6,817</b>	<b>9,541</b>	<b>(2,724)</b>
Income Taxes (Current & Deferred)	2,822	3,882	(1,060)
<b>Net Income</b>	<b>3,995</b>	<b>5,659</b>	<b>(1,664)</b>

## Composition of Revenue (Consolidated)

Our ordinary income includes revenue that is derived pursuant to the terms of our loans and bills discounted, as well as revenue that is derived from the amortization of the difference between the stated principal amount and book value which initially is the purchase price, of our purchased loans from Tokyo Sowa Bank and other banks ("*Loan Purchase Revenue*"), we measure our performance based on "*Organic Revenue*," which is shown below.

### (1) Organic Revenue

*(in millions of yen)*

	For the three months ended June 30,		Increase/ (Decrease) (A) - (B)
	2006 (A)	2005 (B)	
Ordinary Income	17,791	15,498	2,293
Interest Income from Interest Rate Swap for Deposits (Note)	(376)	(239)	(137)
Fee and Commission Expenses	(686)	(390)	(296)
Other Operating Expenses	(60)	(60)	0
Loan Purchase Revenue (after Offset of Provision for General Reserve for Possible Loan Losses)	(3,029)	(2,711)	(318)
<b>Organic Revenue</b>	<b>13,637</b>	<b>12,096</b>	<b>1,541</b>

(Note) "Interest Income from Interest Rate Swap" is deducted from Ordinary Income to determine the amount of "Organic Revenue" since such interest income is derived from funding activities. Thus, it is excluded from our measurements of revenue performance and included as a reduction in our funding costs.

### (2) Loan Purchase Revenue

*(in millions of yen)*

	For the three months ended June 30,		Increase/ (Decrease) (A) - (B)
	2006 (A)	2005 (B)	
<b>Loan Purchase Revenue</b>	<b>3,308</b>	<b>3,686</b>	<b>(378)</b>
Amortization included in Interest Income	1,579	1,485	94
Amortization of Unearned Loan Purchase Revenue	1,858	2,460	(602)
Offset of Provision for Reserve for Possible Loan Losses	(278)	(974)	696
Amortization included in Fees and Commissions	22	28	(6)
Revenue included in Other Ordinary Income	1,428	1,197	231
Add-back of Offset of Provision for Reserve for Possible Loan Losses	278	974	(696)

**(3) Comparison of Organic Revenue and Loan Purchase Revenue**

(in millions of yen except percentages)

	For the three months ended June 30,				Increase/(Decrease)	
	2006 (A)		2005 (B)		(A) - (B)	
	Amount	% of total	Amount	% of total	Amount	%
Organic Revenue	13,637	80.5	12,096	76.6	1,541	12.7
Loan Purchase Revenue	3,308	19.5	3,686	23.4	(378)	(10.3)
<b>Total Revenue</b>	<b>16,945</b>	<b>100.0</b>	<b>15,782</b>	<b>100.0</b>	<b>1,163</b>	<b>7.4</b>

**(4) Credit Costs**

(in millions of yen)

	For the three months ended June 30,		Increase/ (Decrease) (A) - (B)
	2006 (A)	2005 (B)	
Provision for (Reversal of) Reserve for Possible Loan Losses	(322)	(6,399)	6,077
Write-off of Loans	781	3,008	(2,227)
<b>Credit Costs excluding Offset of Provision for Reserve for Possible Loan Losses with respect to Purchased Loans against Loan Purchase Revenue</b>	<b>459</b>	<b>(3,391)</b>	<b>3,850</b>
Offset of Provision for Reserve for Possible Loan Losses with respect to Purchased Loans against Loan Purchase Revenue	278	974	(696)
<b>Total Credit Costs</b>	<b>738</b>	<b>(2,416)</b>	<b>3,154</b>

## 2. Disclosed Claims under Financial Revitalization Law (Consolidated)

(in billions of yen except percentatages)

	As of June 30,		As of March 31, 2006
	2006	2005	
Bankruptcy and Quasi-Bankruptcy	4.2	6.7	5.0
Doubtful	24.5	21.9	18.6
Sub-standard	12.3	10.9	12.0
Sub-Total	41.1	39.7	35.7
Normal	1,034.9	868.3	1,001.1
Total	1,076.1	908.0	1,036.9
Ratio of Problem Loans to Total Claims	3.83%	4.37%	3.44%

Note: Amounts above are calculated based on the self-assessment as of June 30, 2006, and they reflect the change of the forecast of chare-off and reserves, collection of claims and collection through collateral during the three months ended June 30, 2006

### Reconciliation with Classification under Self-Assessment

Financial Revitalization Law	Classification under Self-Assessment
Bankruptcy and Quasi-Bankruptcy	Debtors who are legally bankrupt and virtually bankrupt
Doubtful	Debtors who are likely to become bankrupt
Sub-standard	Debtors whose claims are restructured

## 3. BIS Capital Ratio (based on domestic standard)

	As of September 30, 2006 (Forecast)	As of March 31, 2006 (Reference)
Capital Adequacy Ratio	High-end of 8%	8.95%
Tier I Capital Ratio	Low-end of 8%	8.05%

Note: Please note that future forecast above may differ from the prospect due to matters such as changes in business environments.

#### 4. Unrealized Gains/Losses on Available-for-sale Securities (Consolidated)

(in billions of yen)

	As of June 30,							
	2006				2005			
	Fair value	Difference	Gain	Loss	Fair value	Difference	Gain	Loss
Available-for-sale securities:	238.4	(1.5)	1.3	2.8	341.2	1.2	1.4	0.2
Equities	1.2	0.7	0.7	-	-	-	-	-
Bonds	150.0	(1.3)	0.0	1.3	195.8	0.2	0.2	0.0
Other	87.2	(0.9)	0.5	1.4	145.3	0.9	1.2	0.2

	As of March 31, 2006			
	Fair value	Difference	Gain	Loss
Available-for-sale securities:	233.6	(0.7)	1.6	2.3
Equities	1.6	1.1	1.1	-
Bonds	145.4	(1.2)	0.0	1.3
Other	86.5	(0.5)	0.5	1.0

## 5. Derivatives (Consolidated)

### (1) Interest Rate Derivatives

(in billions of yen)

	As of June 30,						As of March 31, 2006		
	2006			2005			Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)
	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)			
Listed:									
Interest Rate Futures	-	-	-	-	-	-	-	-	-
Interest Rate Options	-	-	-	-	-	-	-	-	-
Over-the-counter:									
Interest Rate Forward Contracts	-	-	-	-	-	-	-	-	-
Interest Rate Swaps	58.7	0.0	0.0	-	-	-	25.6	(0.0)	(0.0)
Interest Rate Options	21.3	0.2	0.0	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>			0.0						(0.0)

### (2) Currency Derivatives

(in billions of yen)

	As of June 30,						As of March 31, 2006		
	2006			2005			Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)
	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)			
Listed:									
Currency Futures	-	-	-	-	-	-	-	-	-
Currency Options	-	-	-	-	-	-	-	-	-
Over-the-counter:									
Currency Swaps	-	-	-	-	-	-	-	-	-
Foreign Exchange Forward Contracts	12.8	0.0	0.0	0.3	0.3	0.0	2.8	0.0	0.0
Currency Options	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>			0.0			0.0			0.0

### (3) Equity Derivatives

Not applicable.

**(4) Bond Derivatives**

(in billions of yen)

	As of June 30,						As of		
	2006			2005			March 31, 2006		
	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)	Contractual or Notional Amounts	Fair value	Unrealized Gain (Loss)
Listed:	14.0	0.0	0.0	0.0	0.0	(0.0)	-	-	-
Over-the-counter:	-	-	-	-	-	-	-	-	-
<b>Total</b>			0.0			(0.0)			-

**(5) Commodity Derivatives, Credit Derivatives**

Not applicable.

**6. Balances of Loans and Deposits (Consolidated)**

(in billions of yen)

	As of June 30,		As of
	2006	2005	
Individuals	1,111.9	1,035.6	1,089.4
Corporations	185.6	187.5	191.3
Public entities	77.8	79.2	65.5
Financial institutions	5.6	14.9	18.2
<b>Total deposits</b>	<b>1,381.0</b>	<b>1,317.4</b>	<b>1,364.7</b>
Loans and Bills Discounted	1,070.8	900.3	1,031.8