

**Consolidated Financial Results**  
*for the 1st Quarter Results of Fiscal 2007*



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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 2007 ended June 30, 2007

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, reserve for possible loan losses 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 2007

#### (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, 2007
	2007	2006	
Ordinary income	<b>19,545</b>	17,791	75,643
Change from the previous period	<b>9.8%</b>	14.8 %	
Ordinary profits	<b>6,220</b>	6,847	25,588
Change from the previous period	<b>(9.1)%</b>	151.8 %	
Net income	<b>3,746</b>	4,143	16,108
Change from the previous period	<b>(9.5)%</b>	(23.9)%	
Net income per common share (yen)	<b>5,351.46</b>	5,918.68	23,012.13

#### (2) Financial Conditions

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

	As of June 30,		As of March 31, 2006
	2007	2006	
Total assets	<b>1,715,726</b>	1,563,718	1,682,345
Net assets	<b>100,322</b>	87,019	102,322
Ratio of net assets to total assets	<b>5.8%</b>	5.5%	6.0%
Net assets per common share (yen)	<b>143,317.19</b>	124,313.64	146,175.53

**2. Earning Projections for the Fiscal Year Ending March 31, 2008**

(in millions of yen, except per share data)

	For the six-months ending September 30, 2007	For the year ending March 31, 2008
Ordinary income	37,000	76,400
Ordinary profits	10,300	21,500
Net income	10,300	17,000
Net income per common share (yen)	14,714.28	24,285.71

(Note)

Earning projections for the fiscal year ending March 31, 2008 remains the same as the ones which were previously disclosed on May 25, 2007 shown as above.

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

## Overview of Consolidated Business Results for the First Quarter Ended June 30, 2007

### Earnings

- Ordinary income was JPY 19.5 billion, JPY 1.7 billion or 9.8% above the prior year primarily due to an increase in interest income on loans.
- Gross operating profits, excluding all revenue derived from loans purchased at a discount, grew by JPY 0.8 billion, or 7.3%, to JPY 12.2 billion compared with the prior year.  
Net interest income contributed to the growth with 16.5% increase.
- Ordinary profit was JPY 6.2 billion against our first half forecast of JPY 10.3 billion disclosed on May 25, 2007.
- First quarter net income exceeded our estimate and we expect to meet the first half net income forecast disclosed on May 25, 2007.

### Growth and Asset Quality

- Outstanding loan balance steadily increased to JPY 1,186.1 billion, up by JPY 115.3 billion or 10.7% over the prior year.
- Loan growth was funded with solid growth in deposits, up by JPY 124.1 billion or 8.9% compared with June 2006 to JPY 1,515.2 billion.
- Non-performing loan ratio (under the Financial Revitalization Law) declined to 2.90%, down from 3.83% at the end of June 2006.  
Total credit costs for the quarter were JPY 1.0 billion and 36.7bps against average loan balance.

### <Reference>

<On a Consolidated Basis>

(in millions of yen, except figures in percentage and yen)

	1st Quarter Fiscal 2007	1st Quarter Fiscal 2006	Variance	Variance (%)	Earnings Projections *	
					1st Half	Full Year
Ordinary Income	19,545	17,791	1,754	9.8	37,000	76,400
Ordinary Profits	6,220	6,847	(627)	(9.1)	10,300	21,500
Net Income	3,746	4,143	(397)	(9.5)	10,300	17,000
Net Income per Share (yen)	5,351.46	5,918.68	(567.22)	(9.5)	14,714.28	24,285.71

\* The projections are same as the information disclosed on May 25, 2007. For the remarks on earnings projections, please refer to page 2.

COMPARISON OF CONSOLIDATED BALANCE SHEETS

(in millions of yen)	As of June 30,		Change		As of March 31, 2007
	2006 (A)	2007 (B)	(B)-(A)	%	
<b>Assets:</b>	(Unaudited)	(Unaudited)			
Cash and due from banks	37,773	<b>64,535</b>	26,762	70.8 %	74,516
Call loans	78,758	<b>93,404</b>	14,646	18.5 %	45,817
Monetary receivables bought	62,198	<b>39,726</b>	(22,472)	(36.1)%	41,645
Trading securities	6	<b>1</b>	(5)	(83.3)%	6
Monetary assets held in trust	3,659	<b>3,608</b>	(51)	(1.3)%	3,624
Investment securities	285,053	<b>296,356</b>	11,303	3.9 %	318,679
Loans and bills discounted	1,070,822	<b>1,186,182</b>	115,360	10.7 %	1,169,024
Foreign exchange	846	<b>462</b>	(384)	(45.3)%	1,261
Other assets	15,903	<b>20,106</b>	4,203	26.4 %	17,778
Tangible fixed assets	11,500	<b>10,946</b>	(554)	(4.8)%	11,164
Intangible fixed assets	3,085	<b>5,125</b>	2,040	66.1 %	5,234
Deferred tax assets	15,586	<b>14,726</b>	(860)	(5.5)%	13,198
Customers' liabilities for acceptances and guarantees	2,261	<b>1,841</b>	(420)	(18.5)%	1,871
Reserve for possible loan losses	(23,738)	<b>(21,297)</b>	2,441	(10.2)%	(21,478)
<b>Total assets</b>	<b>1,563,718</b>	<b>1,715,726</b>	<b>152,008</b>	<b>9.7 %</b>	<b>1,682,345</b>
<b>Liabilities and Stockholders' Equity</b>					
<b>Liabilities:</b>					
Deposits	1,381,089	<b>1,512,749</b>	131,660	9.5 %	1,480,455
Negotiable certificates of deposit	10,000	<b>2,500</b>	(7,500)	(75.0)%	-
Payables under securities lending transactions	2,914	-	(2,914)	(100.0)%	-
Call money	10,000	-	(10,000)	(100.0)%	-
Foreign exchanges	0	<b>0</b>	0	0.0 %	30
Corporate notes	23,000	<b>55,500</b>	32,500	141.3 %	55,500
Other liabilities	46,472	<b>41,131</b>	(5,341)	(11.4)%	39,352
Reserve for employees' bonuses	657	<b>651</b>	(6)	(0.9)%	1,652
Reserve for directors' bonus	78	<b>987</b>	909	1165.3 %	1,086
Reserve for executive retirement benefits	-	<b>25</b>	25	-	54
Reserve for losses from reimbursement of loan payments	-	<b>16</b>	16	-	16
Negative goodwill	224	-	(224)	(100.0)%	2
Acceptances and guarantees	2,261	<b>1,841</b>	(420)	(18.5)%	1,871
<b>Total liabilities</b>	<b>1,476,698</b>	<b>1,615,404</b>	<b>138,706</b>	<b>9.3 %</b>	<b>1,580,022</b>
<b>Net assets:</b>					
Common stock	21,000	<b>21,000</b>	-	-	21,000
Capital surplus	19,000	<b>19,000</b>	-	-	19,000
Retained earnings	52,080	<b>64,292</b>	12,212	23.4 %	64,046
Total owners' equity	92,080	<b>104,292</b>	12,212	13.2 %	104,046
Unrealized gain (loss) on available-for-sale securities, net of taxes	(920)	<b>(942)</b>	(22)	(2.3)%	(98)
Deferred gain (loss) on hedging instruments, net of taxes	(4,140)	<b>(3,027)</b>	1,113	26.8 %	(1,624)
Total valuation and translation adjustments	(5,061)	<b>(3,970)</b>	1,091	21.5 %	(1,723)
<b>Total net assets</b>	<b>87,019</b>	<b>100,322</b>	<b>13,303</b>	<b>15.2 %</b>	<b>102,322</b>
<b>Total liabilities and net assets</b>	<b>1,563,718</b>	<b>1,715,726</b>	<b>152,008</b>	<b>9.7 %</b>	<b>1,682,345</b>

COMPARISON OF CONSOLIDATED STATEMENTS OF INCOME

(in millions of yen)	For the three months ended June 30,		Change		For year ended
	2006 (A)	2007 (B)	(B)-(A)	%	March 31, 2007
	(Unaudited)	(Unaudited)			
<b>Ordinary income:</b>	17,791	<b>19,545</b>	1,754	9.8 %	75,643
Interest and dividend income	12,047	<b>14,109</b>	2,062	17.1 %	51,485
<i>Interest on loans and discounts</i>	9,877	<b>11,250</b>	1,373	13.9 %	41,913
<i>Interest and dividends on securities</i>	1,278	<b>2,047</b>	769	60.1 %	6,106
Fees and commissions	3,024	<b>3,636</b>	612	20.2 %	12,939
Other operating income	798	<b>199</b>	(599)	(75.0)%	3,622
Other ordinary income	1,921	<b>1,600</b>	(321)	(16.7)%	7,595
<b>Ordinary expenses:</b>	10,943	<b>13,324</b>	2,381	21.7 %	50,054
Interest expenses	2,066	<b>2,779</b>	713	34.5 %	9,361
<i>Interest on deposits</i>	2,040	<b>2,551</b>	511	25.0 %	8,978
Fees and commissions	686	<b>1,211</b>	525	76.5 %	3,642
Other operating expenses	60	<b>95</b>	35	58.3 %	310
General and administrative expenses	7,293	<b>8,051</b>	758	10.3 %	31,253
Other ordinary expenses	835	<b>1,187</b>	352	42.1 %	5,485
<b>Ordinary profits</b>	6,847	<b>6,220</b>	(627)	(9.1)%	25,588
Extraordinary gains	322	<b>58</b>	(264)	(81.9)%	1,410
<i>Reversal of possible loan losses</i>	322	-	322	(100.0)%	-
Extraordinary losses	12	<b>19</b>	7	58.3 %	122
<b>Income before income taxes</b>	7,158	<b>6,260</b>	(898)	(12.5)%	26,876
Income taxes					
Current	3,015	<b>2,514</b>	(501)	(16.6)%	10,674
Deferred	-	-	-	-	93
<b>Net income</b>	4,143	<b>3,746</b>	(397)	(9.5)%	16,108

## Selected Financial Information of 1st Quarter Results

### 1. Operating Results

(1) 【Consolidated】

(in millions of yen)

	For the three months ended June 30,		Change (A) - (B)
	2007 (A)	2006 (B)	
<b>Gross Operating Profits</b>	<b>13,859</b>	<b>13,056</b>	<b>803</b>
Net Interest Income	11,330	9,980	1,350
Net Fees and Commissions	2,425	2,337	88
Net Other Operating Income	104	737	(633)
General & Administrative Expenses	8,051	7,293	758
Provision for General Reserve for Possible Loan Losses	(855)	-	(855)
Other Income & Expenses	(442)	1,085	(1,527)
Net Gain & Loss on Equity Securities	390	155	235
Problem Claims related Costs	1,887	781	1,106
Write-offs of Loans	805	781	24
Provision for Specific Reserve for Possible Loan Losses	1,082	-	1,082
Profit and Loss on Sales of Loans	-	-	-
Other	1,054	1,712	(658)
<b>Ordinary Profits</b>	<b>6,220</b>	<b>6,847</b>	<b>(627)</b>
Extraordinary Gains & Losses	39	310	(271)
of which Net Gain & Loss on Sales of Fixed Assets	39	(12)	51
Gain on Sales of Fixed Assets	58	-	58
Loss on Disposal of fixed Assets	19	12	7
of which Gain on Collection of Written-off Claims	0	0	(0)
of which Reversal of Possible Loan Losses	-	322	(322)
<b>Income before Income Taxes</b>	<b>6,260</b>	<b>7,158</b>	<b>(898)</b>
Income Taxes (Current & Deferred)	2,514	3,015	(501)
<b>Net Income</b>	<b>3,746</b>	<b>4,143</b>	<b>(397)</b>

## (2) 【Non-consolidated】

(in millions of yen)

	For the three months ended June 30,		Change (A) - (B)
	2007 (A)	2006 (B)	
<b>Gross Operating Profits</b>	<b>12,152</b>	<b>12,108</b>	<b>44</b>
Net Interest Income	11,151	9,728	1,423
Net Fees and Commissions	897	1,643	(746)
Net Other Operating Income	103	736	(633)
General & Administrative Expenses	7,748	7,309	439
Personnel Expenses	3,372	2,934	438
Nonpersonnel Expenses	3,984	3,926	58
Taxes	391	447	(56)
<b>Net Operating Income (before General Reserve and Amortization of Goodwill)</b>	<b>4,404</b>	<b>4,799</b>	<b>(395)</b>
Provision for General Reserve for Possible Loan Losses	-	-	-
Amortization of Goodwill	-	-	-
<b>Net Operating Income</b>	<b>4,404</b>	<b>4,799</b>	<b>(395)</b>
of which Net Gain & Loss on Bonds	(28)	4	(32)
Other Income & Expenses	696	1,032	(336)
Net Gain & Loss on Equity Securities	390	146	244
Problem Claims related Costs	642	758	(116)
Write-offs of Loans	642	758	(116)
Provision for Specific Reserve for Possible Loan Losses	-	-	-
Profit and Loss on Sales of Loans	-	-	-
Other	948	1,644	(696)
<b>Ordinary Profits</b>	<b>5,100</b>	<b>5,832</b>	<b>(732)</b>
Extraordinary Gains & Losses	671	985	(314)
of which Net Gain & Loss on Sales of Fixed Assets	39	(12)	51
Gain on Sales of Fixed Assets	58	-	58
Loss on Disposal of fixed Assets	19	12	7
of which Gain on Collection of Written-off Claims	0	0	(0)
of which Reversal of Possible Loan Losses	631	997	(366)
<b>Income before Income Taxes</b>	<b>5,771</b>	<b>6,817</b>	<b>(1,046)</b>
Income Taxes (Current & Deferred)	2,327	2,822	(495)
<b>Net Income</b>	<b>3,444</b>	<b>3,995</b>	<b>(551)</b>



## Composition of Revenue (Consolidated)

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

### (1) Loan Purchase Revenue

(in millions of yen)

	For the three months ended June 30, 2007	For the three months ended June 30, 2006	Increase/ (Decrease)
<b>Loan Purchase Revenue</b>	<b>2,704</b>	<b>3,308</b>	<b>(604)</b>
Amortization included in Interest Income (A)	1,539	1,579	(40)
Amortization of Unearned Loan Purchase Revenue	1,586	1,858	(272)
Offset of Provision for General Reserve for Possible Loan Losses	(46)	(278)	232
Amortization included in Fees and Commissions (B)	20	22	(2)
Revenue included in Other Ordinary Income	1,096	1,428	(332)
Add-back of Offset of Provision for General Reserve for Possible Loan Losses	46	278	(232)

### (2) Gross Operating Profits

(in millions of yen)

	For the three month ended June 30, 2007	For the three months ended June 30, 2006	Increase/ (Decrease)
<b>Gross Operating Profits</b> (incl. Loan Purchase Revenue)	<b>13,859</b>	<b>13,056</b>	<b>803</b>
Net Interest Income	11,330	9,980	1,350
Organic Revenue (C)	9,790	8,401	1,389
Loan Purchase Revenue (=A)	1,539	1,579	(40)
Net Fees and Commissions	2,425	2,337	88
Organic Revenue (D)	2,404	2,315	89
Loan Purchase Revenue (=B)	20	22	(2)
Net Other Operating Income (E)	104	737	(633)
<b>Gross Operating Profits related to Organic Revenue (C+D+E)</b>	<b>12,298</b>	<b>11,454</b>	<b>844</b>

## Credit Costs (Consolidated)

(in millions of yen)

	For the three months ended June 30, 2007	For the three months ended June 30, 2006	Increase/ (Decrease)
Provision for General Reserve for Possible Loan Losses	(855)	(322)	549
Provision for Specific Reserve for Possible Loan Losses	1,082		
Write-offs of Loans	805	781	24
Profit and Loss on Sales of Loans	-	-	-
Credit Costs excluding Offset of Provision for General Reserve for Possible Loan Losses with respect to Purchased Loans against Loan Purchase Revenue	1,032	459	573
Offset of Provision for General Reserve for Possible Loan Losses with respect to Purchased Loans against Loan Purchase Revenue	46	278	(232)
Credit Costs before offsetting Gain on Collection of Written-off Claims	1,079	738	341
Offset of Gain on Collection of Written-off Claims	0	0	(0)
<b>Credit Costs (Adjusted)</b>	<b>1,078</b>	<b>737</b>	<b>341</b>

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

(in millions of yen except percentages)

	As of June 30,		As of March 31, 2007
	2007	2006	
Bankruptcy and Quasi-Bankruptcy	5,868	4,244	3,721
Doubtful	17,409	24,539	17,869
Sub-standard	11,262	12,398	14,264
<b>Sub-Total (A)</b>	<b>34,541</b>	<b>41,183</b>	<b>35,855</b>
Normal	1,155,898	1,034,957	1,138,895
Total (B)	1,190,439	1,076,140	1,174,751
<b>Ratio of Problem Loans to Total Claims (A / B × 100)</b>	<b>2.90%</b>	<b>3.83%</b>	<b>3.05%</b>

Note: 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. Capital Adequacy Ratio (Consolidated)

	As of September 30, 2007 (Forecast)	As of March 31, 2007 (Reference)
Capital Adequacy Ratio	Around 9%	9.52%
Tier I Capital Ratio	High part of 7%	7.77%

Note: Please note that the 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,								As of			
	2007				2006				March 31, 2007			
	Carrying value	Net unrealized gain (loss)	Gain	Loss	Carrying value	Net unrealized gain (loss)	Gain	Loss	Carrying value	Net unrealized gain (loss)	Gain	Loss
Available-for-sale securities:	239.5	(1.5)	0.6	2.2	238.4	(1.5)	1.3	2.8	262.0	(0.1)	1.1	1.3
Equities	0.5	0.3	0.3	-	1.2	0.7	0.7	-	1.2	0.8	0.8	-
Bonds	148.7	(0.8)	0.0	0.8	150.0	(1.3)	0.0	1.3	186.5	(0.6)	0.0	0.6
Other	90.2	(1.1)	0.3	1.4	87.2	(0.9)	0.5	1.4	74.1	(0.3)	0.3	0.6

### 5. Derivatives (Consolidated)

#### (1) Interest Rate Derivatives

(in billions of yen)

	As of June 30,						As of		
	2007			2006			March 31, 2007		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Interest Rate Forward Contracts	-	-	-	-	-	-	-	-	-
Interest Rate Swaps	499.9	(0.3)	(0.3)	58.7	0.0	0.0	399.2	(0.1)	(0.1)
Interest Rate Options	34.5	-	0.0	21.3	0.2	0.0	33.9	-	0.0
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>			(0.2)			0.0			(0.1)

**(2) Currency Derivatives**

(in billions of yen)

	As of June 30,						As of		
	2007			2006			March 31, 2007		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Currency Swaps	-	-	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts	35.6	(0.2)	(0.2)	12.8	0.0	0.0	29.7	(0.0)	(0.0)
Currency Options	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>			(0.2)			0.0			(0.0)

**(3) Equity Derivatives**

Not applicable.

**(4) Bond Derivatives**

(in billions of yen)

	As of June 30,						As of		
	2007			2006			March 31, 2007		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:	-	-	-	14.0	0.0	0.0	-	-	-
<b>Total</b>			-			0.0			-

**(5) Commodity Derivatives**

Not applicable.

**(6) Credit Derivatives**

Not applicable.

**(7) Other**

(in billions of yen)

	As of June 30,						As of		
	2007			2006			March 31, 2007		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Basket Options	0.9	-	-	-	-	-	0.7	-	-
<b>Total</b>			-			-			-

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

(in billions of yen)

	As of June 30,		As of
	2007	2006	
Individuals	1,265.5	1,111.9	1,212.9
Corporations	206.5	185.6	202.1
Public entities	34.5	77.8	38.7
Financial institutions	6.0	5.6	26.6
<b>Total deposits</b>	<b>1,512.7</b>	<b>1,381.0</b>	<b>1,480.4</b>
Loans and Bills Discounted	1,186.1	1,070.8	1,169.0