

Consolidated Financial Results
for the 1st Quarter of Fiscal 2010

TOKYO
S T A R
B A N K 

東京スター銀行

Consolidated Financial Results for the 1st Quarter of Fiscal 2010
ended June 30, 2010
 < under Japanese GAAP >

Company Name : **The Tokyo Star Bank, Limited**
 (URL <http://www.tokyostarbank.co.jp/>)

*The financial information presented here has not been audited.
 The amounts are rounded down to the nearest million of yen.*

1. Summary of Consolidated Financial Results
for the 1st Quarter of Fiscal 2010 Ended June 30, 2010

(1) Operating Results

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

	For the three months ended June 30, 2010	
	2010	2009
Ordinary income	16,974	14,765
Change from the previous period	14.9 %	(19.5)%
Ordinary profit	2,904	(2,554)
Change from the previous period	-	-
Net income	1,652	(1,548)
Change from the previous period	-	-
Net income per common share (yen)	2,360.30	(2,212.79)

(2) Financial Conditions

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

	As of June 30, 2010	As of March 31, 2010
Total assets	2,149,782	2,126,379
Net assets	100,915	93,545
Ratio of net assets to total assets (*)	4.6 %	4.3 %
Net assets per common share (yen)	129,665.51	133,635.96

Net assets excluding Stock acquisition rights and Minority interests, as of :

June 30, 2010 : 100,765 million yen
 March 31, 2010 : 93,545 million yen

(*) Ratio of net assets to total assets = (Net assets - Stock acquisition rights - Minority interests) / Total assets X 100

2. Others

(1) Significant Change in the Scope of Consolidation :	No
(2) Application of Simplified Accounting Methods or Special Accounting Methods for Quarterly Consolidated Financial Statements :	Yes
1. application of simplified accounting methods to :	
a. Depreciation of fixed assets	
b. Allowance for loan losses	
c. Deferred tax assets or liabilities	
2. application of special accounting methods for quarterly consolidated financial statements to :	
a. Income taxes	
(3) Change in Accounting Policies for Quarterly Consolidated Financial Statements	
1. changes due to revision accounting standards etc. :	Yes
As “Cabinet Office Ordinance to Amend Part of Regulation for Terminology, Forms and Presentation of Financial Statement” (Cabinet Office ordinance No. 5, March 24, 2009) is applied from this quarter, “Income before minority interests” is presented in the consolidated statement of income.	
2. changes other than 1.above :	No
(4) Number of Shares Outstanding as of :	
June 30, 2010 (Common stock) :	700,000 shares
March 31, 2010 (Common stock) :	700,000 shares
(5) Number of Treasury Shares Outstanding for the Three Months Ended :	
June 30, 2010 (Common stock) :	Not applicable
June 30, 2009 (Common stock) :	Not applicable
(6) Average Number of Shares Outstanding for the Three Months Ended :	
June 30, 2010 (Common stock) :	700,000 shares
June 30, 2009 (Common stock) :	700,000 shares

FINANCIAL STATEMENTS

1. COMPARISON OF CONSOLIDATED BALANCE SHEETS

(in millions of yen)	As of June 30, 2010	As of March 31, 2010
Assets:		
Cash and due from banks	52,240	57,384
Call loans	72,120	62,190
Monetary claims bought	27,973	31,256
Money held in trust	3,022	3,084
Securities	501,683	500,574
Loans and bills discounted	1,457,947	1,439,861
Foreign exchanges	669	476
Other assets	28,174	24,122
Tangible fixed assets	8,396	7,863
Intangible fixed assets	2,433	2,492
Deferred tax assets	15,204	14,975
Customers' liabilities for acceptances and guarantees	25,429	26,423
Allowance for loan losses	(45,513)	(44,325)
Total assets	2,149,782	2,126,379
Liabilities and net assets		
Liabilities:		
Deposits	1,913,217	1,904,286
Foreign exchanges	0	4
Bonds payable	60,900	60,700
Other liabilities	47,546	37,871
Provision for bonuses	542	911
Provision for directors' bonuses	190	125
Provision for directors' retirement benefits	63	48
Provision for losses on dormant deposit repayments	629	629
Provision for possible losses on refund of interest	30	30
Provision for losses on business restructuring	316	1,803
Acceptances and guarantees	25,429	26,423
Total liabilities	2,048,867	2,032,834
Net assets:		
Capital stock	26,000	21,000
Capital surplus	24,000	19,000
Retained earnings	47,986	51,080
Total shareholders' equity	97,986	91,080
Valuation difference on available-for-sale securities	423	473
Deferred gains or losses on hedges	2,355	1,990
Total valuation and translation adjustments	2,779	2,464
Minority interests	150	-
Total net assets	100,915	93,545
Total liabilities and net assets	2,149,782	2,126,379

2. COMPARISON OF CONSOLIDATED STATEMENTS OF INCOME

(in millions of yen)	For the three months ended June 30,	
	2010	2009
Ordinary income:	16,974	14,765
Interest income and dividends	11,630	11,219
<i>Interest on loans and discounts</i>	9,852	9,448
Fees and commissions	2,803	2,586
Other ordinary income	2,025	423
Other income	515	536
Ordinary expenses:	14,069	17,320
Interest expenses	3,337	3,040
<i>Interest on deposits</i>	3,050	2,819
Fees and commissions payments	1,334	1,382
Other ordinary expenses	39	833
General and administrative expenses	7,283	7,946
Other expenses	2,074	4,117
Ordinary profit (loss)	2,904	(2,554)
Extraordinary income	54	38
Extraordinary loss	5	9
Income (Loss) before income taxes and minority interests	2,954	(2,525)
Income taxes - current and deferred	1,301	(976)
Income before minority interests	1,652	
Minority interests in income	-	-
Net income (loss)	1,652	(1,548)

3. Going Concern Assumption

There is no applicable information.

4. Remarkable Changes in Shareholders' Equity

The Tokyo Star Bank issued preferred shares and allocated new shares to Orix Corporation by way of third-party allocation on June 25, 2010 as due date of payment.

The amount to be increased :

Capital stock : 5,000 million yen
 Capital surplus : 5,000 million yen

The balance of the above at June 30, 2010 :

Capital stock : 26,000 million yen
 Capital surplus : 24,000 million yen

Selected Financial Information of 1st Quarter Results

1. Operating Results

(1) 【Consolidated】

(in millions of yen)

	For the three months ended June 30,		Increase/ (Decrease) (A)-(B)
	2010 (A)	2009 (B)	
Gross Operating Profit	11,747	8,973	2,774
Net Interest Income	8,292	8,179	113
Net Fees and Commissions	1,469	1,204	265
Net Other Ordinary Income	1,986	(410)	2,396
General and Administrative Expenses	7,283	7,946	(663)
Provision for General Allowance for Loan Losses	(247)	(584)	337
Other Income & Expenses	(1,807)	(4,166)	2,359
Net Gain & Loss on Stocks and Other Securities	32	(0)	32
Problem Claims related Costs	2,238	4,637	(2,399)
Written-offs of Loans	815	616	199
Provision for Specific Allowance for Loan Losses	1,422	4,020	(2,598)
Net Gain & Loss on Sales of Loans	-	-	-
Other	398	471	(73)
Ordinary Profit (Loss)	2,904	(2,554)	5,458
Extraordinary Income & Loss	49	29	20
Net Gain & Loss on Disposal of Noncurrent Assets	(5)	(8)	3
Gain on Disposal of Noncurrent Assets	-	-	-
Loss on Disposal of Noncurrent Assets	5	8	(3)
Recoveries of Written-off Claims	54	38	16
Other	-	(1)	1
Income (Loss) before Income Taxes and Minority Interests	2,954	(2,525)	5,479
Income Taxes (Current & Deferred)	1,301	(976)	2,277
Income (Loss) before Minority Interests	1,652		
Minority Interests in Income (Loss)	-	-	-
Net Income (Loss)	1,652	(1,548)	3,200

(2) 【Non-consolidated】

(in millions of yen)

	For the three months ended June 30,		Increase/ (Decrease) (A)-(B)
	2010 (A)	2009 (B)	
Gross Operating Profit	10,117	7,137	2,980
Net Interest Income	8,181	8,076	105
Net Fees and Commissions	(50)	(529)	479
Net Other Ordinary Income	1,986	(410)	2,396
General and Administrative Expenses	7,057	7,870	(813)
Personnel Expenses	2,818	3,069	(251)
Nonpersonnel Expenses	3,846	4,427	(581)
Taxes	392	373	19
Net Operating Income (Loss) before General Allowance & Goodwill	3,059	(732)	3,791
Provision for General Allowance for Loan Losses	196	(427)	623
Amortization of Goodwill	-	-	-
Net Operating Income (Loss)	2,862	(305)	3,167
of which Net Gain & Loss on Bonds	1,166	(769)	1,935
Other Income and Expenses	(907)	(2,416)	1,509
Net Gain & Loss on Stocks and Other Securities	32	(0)	32
Problem Claims related Costs	1,208	2,947	(1,739)
Written-offs of Loans	1	-	1
Provision for Specific Allowance for Loan Losses	1,207	2,947	(1,740)
Net Gain & Loss on Sales of Loans	-	-	-
Other	268	530	(262)
Ordinary Profit (Loss)	1,955	(2,721)	4,676
Extraordinary Income & Loss	19	(9)	28
Net Gain and Loss on Disposal of Noncurrent Assets	(5)	(8)	3
Gain on Disposal of Noncurrent Assets	-	-	-
Loss on Disposal of Noncurrent Assets	5	8	(3)
Recoveries of Written-off Claims	24	0	24
Other	-	(1)	1
Income (Loss) before Income Taxes	1,975	(2,731)	4,706
Income Taxes (Current & Deferred)	829	(1,142)	1,971
Net Income (Loss)	1,145	(1,588)	2,733

Composition of Revenue (Consolidated)

Our ordinary income includes revenue that is derived from pursuant to the terms of our loans and bills discounted ("**Organic Revenue**"), 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 loan from other financial institutions ("**Loan Purchase Revenue**"). We manage "**Organic Revenue**" and "**Loan Purchase Revenue**" separately.

(1) Loan Purchase Revenue

(in millions of yen)

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	Increase/ (Decrease)
Loan Purchase Revenue	1,280	901	379
Amortization included in Interest Income (A)	439	323	116
Amortization of Unearned Loan Purchase Revenue	870	462	408
Offset of Provision for General Allowance for Loan Losses	(431)	(139)	(292)
Amortization included in Fees and Commissions (B)	16	17	(1)
Revenue included in Other Ordinary Income	394	420	(26)
Add-back of Offset of Provision for General Allowance for Loan Losses	431	139	292

(2) Gross Operating Profit

(in millions of yen)

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	Increase/ (Decrease)
Gross Operating Profit (including Loan Purchase Revenue)	11,747	8,973	2,774
Net Interest Income	8,292	8,179	113
Organic Revenue (C)	7,853	7,855	(2)
Loan Purchase Revenue (=A)	439	323	116
Net Fees and Commissions	1,469	1,204	265
Organic Revenue (D)	1,453	1,186	267
Loan Purchase Revenue (=B)	16	17	(1)
Net Other Ordinary Income (E)	1,986	(410)	2,396
Gross Operating Profit related to Organic Revenue (C+D+E)	11,292	8,632	2,660

Credit Costs (Consolidated)

(in millions of yen)

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	Increase/ (Decrease)
Provision for General Allowance for Loan Losses	(247)	(584)	337
Provision for Specific Allowance for Loan Losses	1,422	4,020	(2,598)
Written-offs of Loans	815	616	199
Net Gain & Loss on Sales of Loans	-	-	-
Credit Costs excluding Offset of Provision for General Allowance for Loan Losses with respect to Purchased Loans against Loan Purchase Revenue	1,990	4,052	(2,062)
Offset of Provision for General Allowance for Loan Losses with respect to Purchased Loans against Loan Purchase Revenue	431	139	292
Credit Costs before offsetting Recoveries of Written-off Claims	2,421	4,192	(1,771)
Offset of Recoveries of Written-off Claims	(54)	(38)	(16)
Credit Costs (Adjusted)	2,367	4,153	(1,786)

2. Disclosed Claims under Financial Revitalization Law (Consolidated)

<Disclosed Claims under Financial Revitalization Law after writing-off Category IV Claims>

(in millions of yen except percentages)

	As of June 30, 2010	As of June 30, 2009	As of March 31, 2010
Bankruptcy and Quasi-Bankruptcy	19,631	26,743	19,255
Doubtful	21,210	22,863	21,398
Sub-standard	12,791	7,470	9,531
Sub-Total (A)	53,633	57,076	50,185
Normal	1,407,135	1,226,084	1,393,593
Total (B)	1,460,768	1,283,161	1,443,779
Ratio of Problem Loans to Total Claims (A / B × 100)	3.67%	4.44%	3.47%

<Disclosed Claims under Financial Revitalization Law including Category IV Claims>

(in millions of yen except percentages)

	As of June 30, 2010	As of June 30, 2009	As of March 31, 2010
Bankruptcy and Quasi-Bankruptcy	45,748	47,376	44,713
Doubtful	21,210	22,863	21,398
Sub-standard	12,791	7,470	9,531
Sub-Total (A)	79,750	77,710	75,643
Normal	1,407,135	1,226,084	1,393,593
Total (B)	1,486,885	1,303,795	1,469,237
Ratio of Problem Loans to Total Claims (A / B × 100)	5.36%	5.96%	5.14%

Note:

Disclosed Claims under Financial Revitalization Law ("Disclosed Claims") is shown under two calculation methods.

Category IV claims are defined as those claims against legally or virtually bankrupt borrowers that have been judged as uncollectible. In such claims, any amount in excess of the value of the collateral or guarantees are either fully written-off (top chart) or fully reserved against (bottom chart).

The top chart has excluded all Category IV claims from Disclosed Claims since these claims have been deemed as uncollectible and the remaining balance is fully covered with collateral and guarantees after writing off the excess. Most Japanese banks have adopted this method for reporting Disclosed Claims.

The bottom chart has included all Category IV claims in Disclosed Claims even though any amount in excess of collateral and guarantees has been fully reserved against. The Bank has adopted this method and thus, Category IV claims are not deducted from Disclosed Claims until such claims are collected, legally settled, or sold. This results in a higher Disclosed amount and ratio than the calculation method used in the top chart.

3. Securities at Fair Value (Consolidated)

Available-for-sale securities

(millions of yen)

		As of June 30, 2010			As of March 31, 2010		
		Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)
Balance sheet amount in excess of Cost	Domestic equities	—	—	—	24	23	0
	Domestic bonds	183,634	181,502	2,131	232,058	229,652	2,405
	Government bonds	117,594	117,314	279	166,239	165,673	566
	Municipal bonds	607	602	4	608	602	5
	Corporate bonds	65,432	63,585	1,846	65,210	63,376	1,833
	Others	66,184	64,771	1,413	37,143	35,794	1,349
	Sub-Total	249,819	246,273	3,545	269,226	265,470	3,755
Balance sheet amount not in excess of Cost	Domestic equities	20	23	(2)	—	—	—
	Domestic bonds	226,815	228,682	(1,867)	218,370	220,004	(1,634)
	Government bonds	207,497	207,689	(192)	197,894	197,951	(57)
	Municipal bonds	—	—	—	—	—	—
	Corporate bonds	19,318	20,993	(1,674)	20,476	22,053	(1,577)
	Others	35,008	35,969	(960)	23,613	24,936	(1,322)
Sub-Total	261,844	264,674	(2,830)	241,984	244,940	(2,956)	
Total		511,663	510,948	715	511,210	510,410	799

4. Derivatives (Consolidated)

(1) Derivative transactions to which hedge accounting is not applied

① Interest Rate Derivatives

(in millions of yen)

	As of June 30, 2010			As of March 31, 2010		
	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	462,560	530	530	468,757	414	414
Interest Rate Options	66,426	-	159	66,426	-	159
Other	-	-	-	-	-	-
Total		530	690		414	573

② Currency Derivatives

(in millions of yen)

	As of June 30, 2010			As of March 31, 2010		
	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	44,418	(1,060)	(1,060)	45,990	1,349	1,349
Currency Options	102,513	-	824	79,128	-	642
Other	-	-	-	-	-	-
Total		(1,060)	(235)		1,349	1,991

③ Commodity Derivatives

(in millions of yen)

	As of June 30, 2010			As of March 31, 2010		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:						
Commodity Forward Contracts	-	-	-	-	-	-
Commodity Options	11,284	-	-	10,805	-	-
Total		-	-		-	-

④ Credit Derivatives

(in millions of yen)

	As of June 30, 2010			As of March 31, 2010		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:						
Other	19,642	(11)	-	19,935	(12)	-
Total		(11)	-		(12)	-

⑤ Other

(in millions of yen)

	As of June 30, 2010			As of March 31, 2010		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:						
Basket Options	665	-	-	702	-	-
Total		-	-		-	-

*Equity Derivatives and Bond Derivatives : Not applicable.

4. Derivatives (Consolidated)

(2) Derivative transactions to which hedge accounting is applied

① Interest Rate Derivatives

(in millions of yen)

Treatments	Products	Major hedged items	As of June 30, 2010		As of March 31, 2010	
			Notional amounts	Fair value	Notional amounts	Fair value
Deferral hedge accounting	Interest Rate Swaps	Loans, Other Securities(Bonds),Deposits	302,496	4,205	154,340	3,808
Total				4,205		3,808

*Derivatives transactions other than Interest Rate Derivatives : Not applicable.

5. Balances of Loans and Deposits (Consolidated)

(in millions of yen)

	As of June 30, 2010	As of June 30, 2009	As of March 31, 2010
Total deposits	1,913,217	1,619,443	1,904,286
Individuals	1,724,839	1,443,435	1,714,145
Corporations	180,693	160,556	184,218
Public entities	3,455	10,664	3,430
Financial institutions	4,228	4,787	2,492
Loans and Bills Discounted	1,457,947	1,271,361	1,439,861