MITSUBISHI TOKYO FINANCIAL GROUP INC
Form 20-F
September 28, 2004

As filed with the Securities and Exchange Commission on September 28, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

[_] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2004

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period to

Commission file number 1-10277

KABUSHIKI KAISHA MITSUBISHI TOKYO FINANCIAL GROUP
(Exact name of Registrant as specified in its charter)

MITSUBISHI TOKYO FINANCIAL GROUP, INC.
(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

4-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-6326
Japan
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each excha
Common stock, without par value.....	New York St
American Depositary Shares, each of which represents one one-thousandth of one share of common stock.....	New Yor

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(1) The listing of the registrant's common stock on the New York Stock Exchange

is for technical purposes only and without trading privileges.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At March 31, 2004, (1) 6,476,099.77 shares of common stock (including 2,714 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 81,400 shares of class 1 preferred stock and (3) 15,000 shares of class 2 preferred stock were issued and outstanding.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such short period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes [X] No [_]

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 [_] Item 18 [X]

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For purposes of this Annual Report, we have presented our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or US GAAP, except for the risk-adjusted capital ratios, the business segment financial information and some other specifically identified information, which are prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP. Unless otherwise stated or the context otherwise requires, all amounts in our financial statements are expressed in Japanese yen.

When we refer in this Annual Report to "Mitsubishi Tokyo Financial Group," "MTFG," "we," "us," "our" and the "Group," we mean Mitsubishi Tokyo Financial Group, Inc. and its consolidated subsidiaries. References in this Annual Report to "yen" or "(Yen)" are to Japanese yen and references to "US dollars," "US dollar," "dollars," "US$" or "$" are to United States dollars. Our fiscal year ends on March 31 of each year. From time to time, we may refer to the fiscal year ended March 31, 2004 throughout this Annual Report as fiscal 2003 or the 2003 fiscal year. We may also refer to other fiscal years in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

We usually hold the ordinary general meeting of shareholders of Mitsubishi Tokyo Financial Group, Inc. in June of each year in Chiyoda-ku, Tokyo.

Forward-Looking Statements

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the U.S. Securities and Exchange Commission, or SEC, including this Annual Report, and other reports to shareholders and other communications.

The U.S. Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking information to encourage companies to provide prospective information about themselves. We rely on this safe harbor in making these forward-looking statements.

Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, business plan, targets, belief or current expectations and/or the current belief or current expectations of our management with respect to our results of operations and financial condition, including, among other matters, our problem loans and loan losses. In many, but not all cases, we use words such as "anticipate," "aim," "believe," "estimate," "expect," "intend," "plan," "probability," "risk" and similar expressions, as they relate to us or our management, to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are anticipated, believed, estimated, expected, intended or planned.

Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. We identify in this Annual Report in "Item 3.D. Key Information--Risk Factors," "Item 4.B.

Information on the Company--Business Overview," "Item 5. Operating and Financial Review and Prospects" and elsewhere, some, but not necessarily all, of the important factors that could cause these differences.

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

On April 2, 2001, we were formed as a holding company for The Bank of Tokyo-Mitsubishi, Ltd. ("Bank of Tokyo-Mitsubishi"), The Mitsubishi Trust and Banking Corporation ("Mitsubishi Trust Bank") and Nippon Trust Bank Limited ("Nippon Trust Bank"). Nippon Trust Bank was formerly a majority-owned subsidiary of Bank of Tokyo-Mitsubishi and merged into Mitsubishi Trust Bank in October 2001. The business combination between Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank was accounted for under the pooling-of-interests method and, accordingly, the selected statement of operations and balance sheet data shown below for the periods ended before the combination set forth the combined results of Bank of Tokyo-Mitsubishi, including Nippon Trust Bank, and Mitsubishi Trust Bank as if the combination had been in effect for all the periods presented.

Except for risk-adjusted capital ratios, which are calculated in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP, and the average balance information, the selected financial data set forth below are derived from our financial statements prepared in accordance with US GAAP. In the fiscal year ended March 31, 2004, certain operations including domestic mortgage securities business were discontinued and related figures in prior years were reclassified to discontinued operations to conform to the presentation for the fiscal year ended March 31, 2004.

You should read the selected financial data set forth below in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and other financial data included elsewhere in this Annual Report. These data are qualified in their entirety by reference to all of that information.

Fiscal years ended March 31,

	2000	2001	2002	2003
		(in millions, except per share data and number of		
Statement of operations data:				
Interest income	(Yen)2,160,233	(Yen) 2,278,428	(Yen) 2,013,828	(Yen) 1,582,74
Interest expense	1,084,134	1,309,454	938,274	539,27
Net interest income	1,076,099	968,974	1,075,554	1,043,47
Provision (credit) for credit losses	355,724	783,855	598,412	437,97
Net interest income after provision (credit) for credit losses	720,375	185,119	477,142	605,50
Non-interest income	376,737	851,093	361,635	839,82
Non-interest expense	1,079,786	1,021,708	1,161,294	1,182,40
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	17,326	14,504	(322,517)	262,92
Income tax expense (benefit)	61,995	46,594	(98,881)	69,47
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(44,669)	(32,090)	(223,636)	193,45
Income (loss) from discontinued operations--net	(2,873)	(27,084)	1,235	10,37
Cumulative effect of a change in accounting principle, net of tax/(1)/	--	--	5,867	(53
Net income (loss)	(Yen) (47,542)	(Yen) (59,174)	(Yen) (216,534)	(Yen) 203,28
Net income (loss) available to common shareholders	(Yen) (53,006)	(Yen) (67,510)	(Yen) (220,702)	(Yen) 190,78
Amounts per share/(2)/:				
Basic earnings (loss) per common share--income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen)(9,140.02)	(Yen) (7,350.18)	(Yen)(41,011.91)	(Yen) 32,212.0
Basic earnings (loss) per common share--net income (loss) available to common shareholders	(9,663.81)	(12,274.55)	(39,733.32)	33,963.4
Diluted earnings (loss) per common share--income (loss) from continuing				

operations available to common shareholders before cumulative effect of a change in accounting principle	(9,140.02)	(7,350.18)	(41,011.91)	29,459.6
Diluted earnings (loss) per common share--net income (loss) available to common shareholders	(9,663.81)	(12,274.55)	(39,733.32)	31,137.7
Number of shares used to calculate basic earnings per common share (in thousands)	5,485	5,500	5,555	5,61
Number of shares used to calculate diluted earnings per common share (in thousands)	5,485	5,500	5,555	5,86
Cash dividends per share declared during the fiscal year/(4)/:				
--Common shares	(Yen) 8,255.25	(Yen) 8,255.25	(Yen) 4,127.63	(Yen) 6,000.0
	$ 79.24	$ 79.24	$ 39.62	$ 57.5
--Preferred shares (Class 1)	(Yen)57,120.00	(Yen) 82,500.00	(Yen) 41,250.00	(Yen)123,750.0
	$ 548.28	$ 791.90	$ 395.95	$ 1,187.8
--Preferred shares (Class 2)	(Yen) 8,150.00	(Yen) 16,200.00	(Yen) 8,100.00	(Yen) 24,300.0
	$ 78.23	$ 155.50	$ 77.75	$ 233.2

	At March 31,			
	2000	2001	2002	
			(in millions)	
Balance sheet data:				
Total assets	(Yen)84,996,000	(Yen)93,488,950	(Yen)94,365,114	(Y
Loans, net of allowance for credit losses	48,563,172	47,953,919	48,494,545	
Total liabilities	80,981,592	90,287,654	91,738,617	
Deposits	54,777,171	60,105,742	63,659,501	
Long-term debt	4,540,277	4,963,455	5,183,841	
Shareholders' equity	4,014,408	3,201,296	2,626,497	
Capital stock/(5)/	956,664	956,664	973,156	

	Fiscal years ended M		
	2000	2001	2002
			(in millions, except p
Other financial data:			
Average balances:	(unaudited)	(unaudited)	(unaudi

Interest-earning assets	(Yen)82,987,015	(Yen)83,238,004	(Yen)85,062,
Interest-bearing liabilities	74,408,264	75,645,416	78,683,
Total assets	86,620,645	89,341,483	92,376,
Shareholders' equity	3,599,596	3,464,251	3,045,
Return on equity and assets:	(unaudited)	(unaudited)	(unaudi
Net income (loss) available to common shareholders as a percentage of total average assets	(0.06)%	(0.08)%	(0
Net income (loss) available to common shareholders as a percentage of average shareholders' equity	(1.47)%	(1.95)%	(7
Dividends per common share as a percentage of basic earnings per common share	--/(6)/	--/(6)/	
Average shareholders' equity as a percentage of total average assets	4.16%	3.88%	3
Net interest income as a percentage of total average interest-earning assets	1.30%	1.16%	1
Credit quality data:			
Allowance for credit losses	(Yen) 1,486,212	(Yen) 1,716,984	(Yen) 1,735,
Allowance for credit losses as a percentage of loans	2.97%	3.46%	3
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	(Yen) 2,844,915	(Yen) 4,272,794	(Yen) 4,164,
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	5.68%	8.60%	8
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	52.24%	40.18%	41
Net loan charge-offs	(Yen) 679,736	(Yen) 598,362	(Yen) 603,
	(unaudited)	(unaudited)	(unaudi
Net loan charge-offs as a percentage of average loans	1.30%	1.21%	1
Average interest rate spread	1.14%	1.01%	1
Risk-adjusted capital ratio calculated under Japanese GAAP/(7)/	11.43%	10.15%	10

	2004
Other financial data:	
Average balances:	(unaudited)
Interest-earning assets	(Yen) 90,867,520
Interest-bearing liabilities	84,975,055
Total assets	102,825,996
Shareholders' equity	3,287,929
Return on equity and assets:	(unaudited)
Net income (loss) available to common shareholders as a percentage of total average assets	0.79%
Net income (loss) available to	

common shareholders as a percentage of average shareholders' equity.....		24.77%
Dividends per common share as a percentage of basic earnings per common share.....		3.12%
Average shareholders' equity as a percentage of total average assets....		3.20%
Net interest income as a percentage of total average interest-earning assets.....		1.10%
Credit quality data:		
Allowance for credit losses.....	(Yen)	888,127
Allowance for credit losses as a percentage of loans.....		1.83%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more.....	(Yen)	1,731,083
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans.....		3.57%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more.....		51.30%
Net loan charge-offs.....	(Yen)	337,124 (unaudited)
Net loan charge-offs as a percentage of average loans.....		0.69%
Average interest rate spread.....		1.06%
Risk-adjusted capital ratio calculated under Japanese GAAP/(7)/:..		12.95%

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(1) Effective April 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. On April 1, 2002, we also adopted SFAS No. 142, "Goodwill and Other Intangible Assets."

(2) Amounts have been adjusted to reflect the stock-for-stock exchanges creating Mitsubishi Tokyo Financial Group, Inc. for the fiscal years ended March 31, 2000 and 2001.

(3) Includes the common shares potentially issuable pursuant to the 3% exchangeable guaranteed notes due 2002 and Class 2 preferred stock. The 3% exchangeable guaranteed notes due 2002 were redeemed in November 2002.

(4) For the convenience of readers, the US dollar amounts are presented as translations of Japanese yen amounts at the rate of (Yen)104.18 = US$1.00, the noon buying rate on March 31, 2004 in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York.

(5) Amounts include common stock and non-redeemable Class 2 preferred stock. Redeemable Class 1 preferred stock is excluded.

(6) Percentages against basic loss per common share have not been presented because such information is not meaningful.

(7) Risk-adjusted capital ratios have been calculated in accordance with Japanese banking regulations, based on information derived from our consolidated financial statements prepared in accordance with Japanese GAAP. Ratios for the fiscal years ended March 31, 2000 and 2001 represent combined risk-adjusted capital ratios of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank before any combination-related adjustments.

Exchange Rate Information

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per $1.00. On September 21, 2004, the noon buying rate was $1.00 equals (Yen)109.94 and the inverse noon buying rate was (Yen)100 equals $0.91.

	Year 2004						
	March	April	May	June	July	August	September/(1)/
High	(Yen)112.12	(Yen)110.37	(Yen)114.30	(Yen)111.27	(Yen)111.88	(Yen)111.53	(Yen)110.47
Low.	104.18	103.70	108.50	107.10	108.21	109.00	109.22

(1) Period from September 1 to September 21.

	Fiscal year ended March 31,				
	2000	2001	2002	2003	2004
Average (of month-end rates)	(Yen)110.02	(Yen)111.65	(Yen)125.64	(Yen)121.10	(Yen)112.75

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the risks described below as well as all the other information in this Annual Report, including our consolidated financial statements and related notes, "Item 5. Operating and Financial Review and Prospects," "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk" and "Selected Statistical Data."

Our business, operating results and financial condition could be materially adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this Annual Report. See "Forward-Looking Statements."

Risks Related to Our Business

We may suffer additional losses in the future due to problem loans.

We have suffered from worsening asset quality problems since the early 1990s. Despite recent progress in reducing the level of our problem loans, we continue to have a considerable amount of problem loans on our balance sheet. A number of our borrowers are still facing challenging circumstances, and our problem loans and credit-related expenses could increase if:

.. economic conditions in Japan do not improve;

.. real estate prices in Japan continue to decline or stock prices in Japan decline;

.. the rate of corporate bankruptcies in Japan or elsewhere in the world rises;

.. our large borrowers become insolvent or must be restructured;

.. current restructuring plans are not successfully implemented;

.. additional economic problems arise elsewhere in the world; or

.. the global economic environment deteriorates generally.

An increase in problem loans and credit-related expenses would adversely affect our results of operations, weaken our financial condition and erode our capital base. Our credit losses may increase if we elect, or are forced by economic or other considerations, to sell or write-off our problem loans at a larger discount, in a larger amount and/or in a different time or manner than we may otherwise want. For a discussion of our historical problem loans, see "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans" and "Selected Statistical Data--Loan Portfolio."

Our allowance for credit losses may be insufficient to cover future loan losses.

Our allowance for credit losses in our loan portfolio is based on assumptions and estimates about our customers, the value of collateral we hold and the economy as a whole. Our actual loan losses could prove to be materially different from our estimates and could materially exceed our allowance. If our actual loan losses are higher than we currently expect, our current allowance for credit losses will be insufficient. If general economic conditions deteriorate or the standards for establishing allowances change, causing us to change some of our assumptions and estimates, if the value of collateral we hold declines or if we are adversely affected by other factors to an extent that is worse than anticipated, we may have to provide for additional allowance for credit losses. For a detailed discussion of our allowance policy and the historical trend of allowances for credit losses, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Critical Accounting Estimates--Allowance for Credit Losses" and "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans."

The credit quality of our loan portfolio may be adversely affected by the continuing financial difficulties facing companies operating in the Japanese real estate, construction, wholesale and retail, and automotive sectors.

We have large exposure to borrowers in the Japanese real estate, construction,

wholesale and retail, and automotive sectors, and are thus exposed to the ongoing financial difficulties faced by some borrowers operating in those sectors. Some of the companies to which we have extended credit in these sectors are exposed to ongoing financial difficulties and they may be in restructuring negotiations or considering whether to seek bankruptcy protection. If these companies are unsuccessful in their restructuring efforts due to continuing financial difficulties and other unexpected factors, are otherwise forced to seek bankruptcy protection, or if other lenders discontinue or decrease their financial support to these companies for any reason, there may be further significant deteriorations in the credit quality of our loan portfolio, which would expose us to further loan losses. For a detailed discussion of our exposure to these sectors, see "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans" and "Selected Statistical Data--Loan Portfolio."

Our exposure to troubled borrowers may increase, and our recoveries from them may be lower than expected.

We may provide additional loans or equity capital to troubled borrowers in order to facilitate their restructuring and revitalization efforts. We may forbear from exercising some or all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. We may take these steps even when our legal rights might permit us to take stronger action against the borrower and even when others might take stronger action against the borrower to maximize recovery or to reduce exposure in the short term. We may provide support to troubled borrowers for various reasons, including any of the following reasons arising from Japan's business environment and customs:

.. political or regulatory considerations;

.. reluctance to push a major client into default or bankruptcy or to disrupt a restructuring plan supported by other lenders; and

.. a perceived responsibility for the obligations of our affiliated and associated companies, as well as companies with which we have historical links or other long-standing relationships.

These practices may substantially increase our exposure to troubled borrowers and increase our losses.

We may experience losses because our remedies for credit defaults by our borrowers are limited.

We may not be able to realize the value of the collateral held by us or enforce our rights against defaulting customers because of:

.. the difficulty of foreclosing on collateral in Japan;

.. the illiquidity of and depressed values in the Japanese real estate market; and

.. the depressed values of pledged securities held as collateral.

Efforts by other Japanese banks to meet the Japanese government's guidance to dispose of problem loans by March 31, 2005, or to otherwise address their nonperforming loans, could exacerbate our credit losses.

Japan's Financial Services Agency, or the Financial Services Agency, announced in October 2002 that it would strive to reduce by about half the aggregate ratio of nonperforming credits to total credits of major Japanese banks by March 31, 2005. Although the Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank have achieved this target during the fiscal year ended March 31, 2004, continuing efforts by other Japanese banks to restructure problem borrowers within the specified time frame could increase our credit losses. If we are a minority lender to borrowers engaged in restructuring negotiations with such borrowers' "main bank," as part of the restructuring we may have to sell or write-off our problem loans at a larger discount, in a larger amount and/or in a different time or manner than we would have otherwise. We may also elect to dispose of problem loans for lower values or in a less than optimal manner as a result of these restructuring efforts. Alternatively, troubled banks and other financial institutions may discontinue or decrease their credit support to troubled borrowers to whom we are a co-lender, resulting in significant failures of those borrowers and/or a deterioration in the quality of our loan portfolio.

Our business may be adversely affected by negative developments with respect to other Japanese financial institutions, both directly and through the effect they may have on the overall Japanese banking environment and on their borrowers.

Many Japanese financial institutions, including banks, non-bank lending and credit institutions, affiliates of securities companies and insurance companies, are still experiencing declining asset quality and capital adequacy and other financial problems. This may lead to severe liquidity and solvency problems, which have in the past resulted in the liquidation, government control or restructuring of affected institutions. The continued financial difficulties of other financial institutions could adversely affect us because:

- we have extended loans to banks and other financial institutions that are not our consolidated subsidiaries, some of which are classified as nonaccrual and restructured loans;

- we are a shareholder of some other banks and financial institutions that are not our consolidated subsidiaries;

- we may be requested to participate in providing assistance to support distressed financial institutions that are not our consolidated subsidiaries;

- financial institutions may become majority owned and/or controlled by the Japanese government as a result of the government's conversion of their preferred shares into common stock and/or injection of additional public funds into financial institutions pursuant to the Deposit Insurance Law, such as the injection of public funds into Resona Bank, Ltd. and Ashikaga Bank, Ltd. in 2003, or other newly introduced frameworks for the injection of public funds into financial institutions;

- if the government takes control of major financial institutions, we will become a direct competitor of government-controlled financial institutions and may be put at a competitive disadvantage if the Japanese government provides regulatory, tax, funding or other benefits to those financial institutions to strengthen their capital, facilitate their sale or otherwise;

- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate; and

- repeated or large-scale bankruptcies and/or government support or control of financial institutions could generally undermine depositor confidence or adversely affect the overall banking environment.

The proposed management integration with UFJ Holdings, Inc. and its subsidiaries and affiliates may be delayed, materially altered or abandoned. In addition, we may have difficulty integrating the operations of the UFJ Group.

On August 12, 2004, Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries concluded a basic agreement with UFJ Holdings and its subsidiaries regarding a management integration of the holding companies, banks, trust banks and securities companies of the two groups.

In addition, on September 10, 2004, Mitsubishi Tokyo Financial Group, Inc., UFJ Holdings and UFJ Bank entered into an agreement regarding Mitsubishi Tokyo Financial Group, Inc.'s cooperation in strengthening the UFJ Group's capital. Pursuant to this agreement, UFJ Bank issued 3.5 billion class E preferred shares and Mitsubishi Tokyo Financial Group, Inc. purchased those shares for (Yen)700 billion on September 17, 2004. The capital injection to UFJ Bank is based on the assumption that our proposed management integration with the UFJ Group will be completed as outlined in the basic agreement between the two groups announced on August 12, 2004.

The discussions regarding the proposed integration are still ongoing and the execution of a merger agreement and completion of the proposed transaction will be subject to continued due diligence and negotiations between us and the UFJ Group. The proposed integration will also be subject to approval by shareholders and relevant regulatory authorities. Even after the capital strengthening, there is no assurance that we will complete the proposed integration of our management and business with the UFJ Group. Various factors, including litigation and possible competing bids, could cause the proposed transaction to be delayed, materially altered or abandoned. If we fail to complete the proposed integration with the UFJ Group, we may suffer significant reputational harm and it may negatively impact our stock price.

Even if we complete the business combination transaction, we may encounter additional difficulties in integrating the business and operations of the two institutions. For example:

- We may encounter difficulties integrating the domestic and overseas branch network, head office functions, information and management systems, personnel, and customer base of the two institutions. Significant and/or unexpected costs may be incurred during the process. As a result, we may not be able to enhance the convenience and efficiency of our branch network and operational systems as planned. In addition, we may fail to achieve our targeted cost reductions from the business integration.

- Additional credit-related expenses or losses may be incurred as a uniform accounting and reserving policy is applied to the asset and loan portfolio of the two institutions.

- The asset portfolio of UFJ Holdings may suffer from unanticipated asset-quality problems, and significant losses may be incurred on write downs.

If we are unable to resolve smoothly the problems that arise in the integration process with the UFJ Group, our business, results of operations and financial condition may be negatively affected. See "Item 5.A. Operating and Financial Review and Prospects--Recent Developments--Basic Agreement Regarding the

Management Integration of Mitsubishi Tokyo Financial Group and the UFJ Group."

We may be adversely affected if the economic conditions in Japan worsen.

Since the early 1990s, the Japanese economy has performed poorly due to a number of factors, including weak consumer spending and lower capital investment by Japanese companies, causing a large number of corporate bankruptcies and the failure of several major financial institutions. Although recently certain economic indicators and stock prices have shown some signs of recovery, if the recovery does not materialize or the economy weakens, then our earnings and credit quality may be adversely affected. For a discussion of Japan's current economic environment, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Business Environment--Economic Environment in Japan."

Changes in interest rate policy, particularly unexpected or sudden increases in interest rates, could adversely affect the value of our bond portfolio, problem loans and our results of operations.

We hold a significant amount of Japanese government bonds and foreign bonds, including U.S. Treasury bonds. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may negatively affect the value of our bond portfolio and reduce our so-called "spread," which is the difference between the rate of interest we earn and the rate of interest we pay. In addition, an increase in relevant interest rates may increase our problem loans as some of our borrowers may not be able to meet the increased interest payment requirements, thereby adversely affecting our results of operations and financial condition. The yield on Japanese 10-year government bonds, which is used as a benchmark for long-term interest rates, was approximately 0.7% in April 2003 and reached a record low of approximately 0.5% in June 2003 before surging to approximately 1.9% in June and July 2004. In the United States, the U.S. Federal Reserve raised the federal funds rate by 25 basis points respectively in June, August and September 2004 to 1.75%. For a detailed discussion of our bond portfolio, see "Selected Statistical Data--Investment Portfolio."

Corporate credibility issues may increase our problem loans or otherwise negatively affect our results of operations.

During the past few years, high-profile bankruptcy filings and reports of past accounting irregularities, including fraud, in the United States and other countries have raised corporate credibility issues, particularly with respect to public companies. In response to these developments and regulatory responses to these developments in the United States and elsewhere, regulators, auditors and corporate managers generally have begun to review financial statements more thoroughly and conservatively. As a result, additional accounting irregularities and corporate governance issues may be uncovered and bring about additional bankruptcy filings and regulatory action in the United States and elsewhere. Such developments could increase our credit costs if they directly involve our borrowers or indirectly affect our borrowers' credit.

We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

We, as a holding company, and our Japanese subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, are each required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Financial Services Agency. The capital ratios are calculated

in accordance with Japanese banking regulations based on information derived from our financial statements prepared in accordance with Japanese GAAP. Our subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A., which we refer to collectively as UNBC, are subject to similar U.S. capital adequacy guidelines. We or our subsidiary banks may be unable to continue to satisfy the capital adequacy requirements because of:

.. declines in the value of our securities portfolio;

.. credit costs we may incur as we dispose of problem loans and remove impaired assets from our balance sheet;

.. credit costs we may incur due to losses from a future deterioration in asset quality;

.. a reduction in the value of our deferred tax assets;

.. changes in accounting rules or in the guidelines regarding the calculation of bank holding companies' or banks' capital ratios;

.. our inability to refinance our subordinated debt obligations with equally subordinated debt;

.. adverse changes in foreign currency exchange rates; and

.. other adverse developments discussed in these Risk Factors.

If our capital ratios fall below required levels, the Financial Services Agency could require us to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of our business operations. For a discussion of our capital ratios and the related regulatory guidelines, see "Item 4.B. Information on the Company--Business Overview--Supervision and Regulation--Japan--Capital Adequacy" and "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Capital Adequacy."

Our capital ratios may also be negatively affected by contemplated or recently adopted regulatory changes.

Several proposed regulatory changes and market factors could have an adverse impact on our capital ratios. In particular, the Financial System Council of the Financial Services Agency is discussing the adoption after April 2005 of rules that limit the amount of deferred tax assets that may be included in the calculation of Tier I and/or total regulatory capital. The imposition of any such limits would likely reduce our regulatory capital, perhaps materially. At March 31, 2004, our deferred tax assets amounted to (Yen)655 billion under Japanese GAAP, which was included in our Tier I capital of (Yen)3,859 billion calculated in accordance with Japanese GAAP as required by the Financial Services Agency. In addition, effective March 31, 2003, the Financial Services Agency strongly suggested that major banks calculate loan loss reserves for certain impaired loans by analyzing the projected cash flows from those loan assets, discounted to present value, instead of basing reserves on historical loan loss data. We had already been employing a methodology to calculate our loan loss reserves for these credits based on their estimated cash flows. However, if in the future the Financial Services Agency adopts a calculation methodology that is different from ours, the size of our allowance for loan losses under Japanese GAAP could increase. Because our capital ratios are

calculated under Japanese GAAP, this change may reduce our capital ratios materially. Further regulatory changes are expected based on the new framework relating to regulatory capital requirements which were established by the Basel Committee on Banking Supervision and endorsed by the central bank governors and the heads of bank supervisory authorities of the Group of Ten (G10) countries in June 2004.

Our results of operations and capital ratios will be negatively affected if we are required to reduce our deferred tax assets.

We and our Japanese subsidiary banks determine the amount of our net deferred tax assets and our regulatory capital pursuant to Japanese GAAP and the Japanese banking regulations, which differ from U.S. GAAP and U.S. regulations. Under current Japanese banking regulations, all deferred tax assets established pursuant to Japanese GAAP are included in regulatory capital. Currently, Japanese GAAP generally permits the establishment of deferred tax assets for tax benefits that are expected to be realized during a period that is reasonably foreseeable, generally five fiscal years. The calculation of deferred tax assets is based upon various assumptions, including assumptions with respect to future taxable income. Actual results may differ significantly from these assumptions. Even if our ability to include deferred tax assets in regulatory capital is not affected by rule changes, if we conclude, based on our projections of future taxable income, that we or our subsidiary banks will be unable to realize a portion of the deferred tax assets, our deferred tax assets may be reduced and, as a result, our results of operations may be negatively affected and our capital ratios may decline.

We may not be able to refinance our subordinated debt obligations with equally subordinated debt, and as a result our capital ratios may be adversely affected.

At March 31, 2004, subordinated debt accounted for approximately 28.9% of our total regulatory capital, approximately 29.2% of Bank of Tokyo-Mitsubishi's total regulatory capital and approximately 31.9% of Mitsubishi Trust Bank's total regulatory capital (in each case, as calculated under Japanese GAAP). We may not

be able to refinance our subordinated debt obligations with equally subordinated debt. The failure to refinance these subordinated debt obligations with equally subordinated debt may reduce our total regulatory capital and, as a result, negatively affect our capital ratios.

If the Japanese stock market declines, we may incur additional losses on our securities portfolio and our capital ratios will be adversely affected.

We hold large amounts of marketable equity securities. The market values of these securities are inherently volatile and have generally and substantially been declining in recent years. The Nikkei-225 stock average declined to a 20-year low in April 2003 before recovering during fiscal 2004. We will incur losses on our securities portfolio if the Japanese stock market declines in the future. Material declines in the Japanese stock market may also materially adversely affect our capital ratios. For a detailed discussion of our holdings of marketable equity securities and the effect of market declines on our capital ratios, see "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Capital Adequacy" and "Selected Statistical Data--Investment Portfolio."

The value of our equity portfolio could decline due to expected sales of shares in the market by Japanese financial institutions.

Many Japanese financial institutions have traditionally held large amounts of equity securities of their customers. In November 2001, the Japanese government enacted a law forbidding bank holding companies and banks, including us, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, from holding, after September 30, 2006, stock the aggregate value of which is in excess of their adjusted Tier I capital. Partly in response to this legislation and partly to reduce risk-weighted assets, we and many other financial institutions have been selling and will continue to sell off large amounts of equity securities. The sale of equity securities by Japanese financial institutions may depress the value of Japanese equity securities, including those in our securities portfolio. In order to remain compliant with the new legislation or to otherwise reduce our risk exposure, we may sell some of our equity securities at larger discounts than we would otherwise sell at. For a detailed discussion of our equity securities portfolio, see "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Financial Condition--Investment Portfolio" and "Selected Statistical Data--Investment Portfolio."

Our efforts to reduce our cross-shareholdings of equity securities may adversely affect our relationships with customers.

A substantial portion of our equity securities portfolio is held under cross-shareholding relationships where we hold customers' securities for business relationship purposes. The sales of equity securities, whether to comply with the prohibition on holding stock in excess of adjusted Tier I capital after September 30, 2006, to reduce our risk exposure to fluctuations in equity security prices or otherwise, will reduce our cross-shareholdings, which may have an adverse effect on our relationships with our customers. In addition, our plans to reduce our cross-shareholdings may encourage some of our customers to sell their shares of our common stock, which may have a negative impact on our stock price.

Our trading and investment activities expose us to interest rate, exchange rate and other risks.

We undertake extensive trading and investment activities involving a variety of financial instruments, including derivatives. Our income from these activities is subject to volatility caused by, among other things, changes in interest rates, foreign currency exchange rates and equity and debt prices. For example:

.. Increases in interest rates have an adverse effect on the value of our fixed income securities portfolio, as discussed in "--Changes in interest rate policy, particularly unexpected or sudden increases in interest rates, could adversely affect the value of our bond portfolio, problem loans and our results of operations" above; and

.. The strengthening of the yen against the U.S. dollar and other foreign currencies reduces the value, in our financial statements, of our substantial portfolio of foreign-currency denominated investments.

In addition, downgrades of the credit ratings of some of the fixed income securities in our portfolio could negatively affect our results of operations. Our results of operations and financial condition in future periods will be exposed to risks of loss associated with these activities. For a discussion of our investment portfolio and related risks see "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Financial Condition--Investment Portfolio" and "Item 11. Quantitative and Qualitative

Disclosures about Credit, Market and Other Risk."

A significant downgrade of our credit ratings could have a negative effect on us.

A significant downgrade of our credit ratings by one or more of the credit rating agencies could have a negative effect on our treasury operations and other aspects of our business. In the event of a downgrade of our credit ratings, our treasury business unit may have to accept less favorable terms in its transactions with counterparties, including capital raising activities, or may be unable to enter into some transactions. This could have a negative impact on the profitability of our treasury and other operations and adversely affect our results of operations and financial condition.

We might have to pay risk premiums on borrowings from international financial institutions or be subject to credit limitations by them.

As a result of concerns regarding asset quality and the failure of several large Japanese financial institutions, international financial institutions have in the past:

.. charged an additional risk premium to Japanese financial institutions for short-term borrowings in the interbank market; and

.. placed restrictions on the amount of credit, including interbank deposits, that they extend to Japanese banks.

These restrictions on credit resulted in higher operating expenses and decreased profitability for affected Japanese banks. If conditions in the Japanese banking and other financial sectors further deteriorate, international markets could again impose risk premiums or credit restrictions on Japanese banks, including us.

We may not be able to achieve the goals of our business strategies.

We are currently pursuing various business strategies to improve our profitability. For various reasons, these strategies may be unsuccessful or have unintended consequences. For example:

.. We may be unable to increase the volume of our loans to financially sound clients;

.. We may be unable to increase our lending spreads with pre-existing customers;

.. Greater competition or other market conditions may prevent us from increasing our level of fee income;

.. We may be unable to successfully implement and realize the benefits of our cost reduction plans and measures;

.. We may have difficulty in coordinating the operations of our subsidiaries and affiliates as planned due to legal restrictions, internal conflict or market resistance;

.. The costs of integration may be higher than we expect, and we may not achieve cost reductions as fully or as quickly as expected;

.. We may lose customers and business as we integrate and, in some cases, rebrand some of our subsidiaries' or affiliates' operations;

.. Our efforts to streamline operations may require more time than expected

and cause some negative reactions from our customers;

.. New products and services we introduce may not gain acceptance among customers; and

.. We may have difficulty integrating the systems within our group.

We will be exposed to increased risks as we expand the range of our products and services.

As we expand the range of our products and services beyond our traditional banking and trust businesses and as the sophistication of financial products and management systems grows, we will be exposed to new and increasingly complex risks. For example, we are expanding our securities business through Mitsubishi Securities Co., Ltd., which was formed in September 2002. Additionally, in March 2004 we entered into a strategic business and capital alliance with ACOM CO., LTD., or ACOM, a leading Japanese consumer finance company, to enhance our consumer finance operations. We may have only limited experience with the risks related to the expanded range of these products and services. To the extent we expand our product and service offerings through acquisitions, we face risks relating to the integration of acquired businesses with our existing operations. Moreover, some of the activities which our subsidiaries engage in, such as derivatives and foreign currency trading, present volatile and substantial risks. Our risk management systems may prove to be inadequate and may not work in all cases or to the degree required. As a result, we are subject to substantial market, credit and other risks in relation to the expanding scope of our products and services and trading activities, which could result in our incurring substantial losses. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk."

Any adverse changes in UNBC's business could significantly affect our results of operations.

UNBC contributes a significant portion of our net income. Any adverse change in the business or operations of UNBC could significantly affect our results of operations. Factors that could negatively affect UNBC's results include adverse economic conditions in California, including the decline in the technology sector, the state government's financial condition, a potential downturn in the real estate and housing industries in California, substantial competition in the California banking market, growing uncertainty over the U.S. economy due to the threat of terrorist attacks, fluctuating oil prices and rising interest rates, and negative trends in debt ratings and equity valuations of various borrowers increasing the risk of corporate bankruptcy filings. For a detailed segment discussion relating to UNBC, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Business Segment Analysis--Bank of Tokyo-Mitsubishi."

We are exposed to substantial credit and market risks in Asia, Latin America, and other regions.

We are active in Asia, Latin America and other regions through a network of branches and subsidiaries and are thus exposed to a variety of credit and market risks associated with countries in these regions. A decline in the value of Asian, Latin American or other relevant currencies could adversely affect

the creditworthiness of some of our borrowers in those regions. The loans we make to Asian, Latin American and other overseas borrowers and banks are often denominated in yen, U.S. dollars or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and others. In addition, some countries in which we operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The limited credit availability resulting from these and related conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause us to incur further losses. In addition, we are active in other regions that expose us to risks similar to the risks described above and also risks specific to those regions, which may cause us to incur losses or suffer other adverse effects. For a more detailed discussion of our credit exposure to Asian, Latin American and other relevant countries, see "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans."

Our income and expenses relating to our international operations and our foreign assets and liabilities are all exposed to foreign currency fluctuations.

Our international operations are subject to fluctuations in foreign currency exchange rates against the Japanese yen. When the yen appreciates, yen amounts for transactions denominated in foreign currencies, including a substantial portion of UNBC's transactions, decline. In addition, a portion of our assets and liabilities are denominated in foreign currencies. To the extent that our foreign-currency denominated assets and liabilities are not matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against the yen may adversely affect our financial condition, including our capital ratios. In addition, fluctuations in foreign exchange rates will create foreign currency translation gains or losses. For a historical discussion of the effect of changes in foreign currency exchange rates, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Effect of the Change in Exchange Rates on Foreign Currency Translation."

Losses relating to our pension plans and a decline in returns on our plan assets may negatively affect our results of operations and financial condition.

We may incur losses if the fair value of our pension plans' assets declines, if the rate of return on our pension assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligations are based. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and the resulting annual amortization expense.

We may have to compensate for losses in our loan trusts and jointly operated designated money in trusts. This could have a negative effect on our results of operations.

Mitsubishi Trust Bank may have to compensate for losses of principal of all loan trusts and some jointly operated designated money in trust. Funds in those guaranteed trusts are generally invested in loans and securities. Mitsubishi

Trust Bank is required to maintain reserves in the accounts of those guaranteed trusts for loan losses and other impairments of principal, but the amount of these compensation obligations does not appear as a liability on our balance sheet. If the amount of assets and reserves held in the guaranteed trusts falls below the principal as a result of loan losses, losses in the investment portfolio or otherwise, which are not absorbed by the profit earned by the trusts, Mitsubishi Trust Bank would be required to make a payment on the guaranties. For a detailed discussion of guaranteed trusts, see "Item 5. Operating and Financial Review and Prospects."

Trust beneficiaries of loan trusts and jointly operated designated money in trust are entitled to a semi-annual dividend, which in practice is the "projected rate" published semi-annually. Sharp declines in interest rates or in the value of the securities held in its trusts' investment portfolios will reduce partly performance-dependent trust fees that Mitsubishi Trust Bank generates from its loan trusts and jointly operated designated money in trust and will thus adversely affect our results of operations.

Our business and operations are exposed to various system, political and social risks beyond our control.

As a major financial institution, our business and operations are significantly dependent upon the domestic and world economies and are thus exposed to various system, political and social risks beyond our control. Recent examples include the disruption of the Internet and other information networks due to major virus outbreaks, major terrorist activity such as the September 11 attacks, the ongoing conflict in Iraq and other serious political instability, and major health epidemics such as the outbreak of severe acute respiratory syndrome, or SARS. Such incidents may directly affect our business and operations by disrupting our operational infrastructure or internal systems. Such incidents may also negatively impact the economic conditions, political regimes and social infrastructure of countries and regions in which we operate, and possibly the global economy as a whole. These various factors beyond our control, as well as the threat of such risks or related countermeasures, may materially and adversely affect our business, operating results and financial condition.

We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information.

In recent years, there have been public reports of personal information and records in the possession of corporations and institutions being leaked or improperly accessed. In the event that personal information in our possession about our customers is leaked or improperly accessed and subsequently misused, we may be subject to liability and regulatory action. The standards applicable to us are expected to become more stringent under the new Personal Information Protection Act, which is scheduled to take effect from April 2005. As an institution in possession of personal information, we may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information in accordance with the Personal Information Protection Act. In addition, such incidents could create a negative public perception of our operations, systems or brand, which may in turn decrease customer and market confidence and materially and adversely affect our business, operating results and financial condition.

Adverse regulatory developments or changes in laws, government policies or economic controls could have a negative impact on our results of operations.

We conduct our business subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other markets which we operate in. Future developments or changes in laws, regulations, policies, voluntary codes of practice, fiscal or other policies and their effects are unpredictable and beyond our control. In particular, the Financial Services Agency announced various regulatory changes that it would consider. The Financial Services Agency also has the authority to conduct, at any time, inspections to review banks' accounts, including those of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. Any of the changes referred to above or any action that must be taken by us, whether as a result of regulatory developments or changes or inspections, could negatively affect our business and results of operations.

Our business may be adversely affected by competitive pressures, which have increased significantly due to regulatory changes.

In recent years, the Japanese financial system has been increasingly deregulated and barriers to competition have been reduced. In addition, the Japanese financial industry has been undergoing significant consolidation, as a result of which larger and more integrated financial institutions have emerged as our competitors. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. For a more detailed discussion of our competition in Japan, see "Item 4.B. Information on the Company--Business Overview--Competition--Japan."

Restrictions on our subsidiaries' ability to pay dividends and make other distributions could limit amounts payable to us.

As a holding company, substantially all of our cash flow comes from dividends that our Japanese bank subsidiaries and our affiliated companies pay to us. Under some circumstances, various statutory or contractual provisions may restrict the amount of dividends our subsidiaries and affiliated companies can pay to us. If our subsidiaries and affiliated companies do not have sufficient earnings, they will be unable to pay us dividends and we, in turn, may be unable to pay dividends.

Risks Related to Owning Our Shares

Efforts by other companies to reduce their shareholdings may adversely affect our stock price.

Many companies in Japan that hold our shares have announced plans to reduce their shareholdings in other companies. Our own announced plans to sell cross-held shares in other companies may further encourage those companies and other companies to sell our shares. If an increased number of shares of our common stock are sold in the market, it will adversely affect the trading price of our shares.

Negative media coverage of Japan's banking industry may have a materially adverse effect on our stock price.

Recently, Japan's banking industry has been covered extensively by both Japanese and foreign media. This coverage includes Japanese banks' problem loans and deferred tax assets, as well as issues concerning financial institutions' reporting of the business conditions of borrowers to regulators. Much of this coverage has been negative and some of this coverage suggests that

the amount of problem loans that Japanese banks actually hold is substantially greater than what is disclosed and that the amount of deferred tax assets recognized by Japanese banks is excessively high. Negative media coverage of Japan's banking industry focusing on problem loans, deferred tax assets and other issues, whether or not accurate and whether or not applicable to us, may have a materially adverse effect on our stock price.

Rights of shareholders under Japanese law may be different from those under the laws of jurisdictions within the United States and other countries.

Our Articles of Incorporation, the regulations of our board of directors and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights are different from those that would apply if we were not a Japanese corporation. Shareholders' rights under Japanese law are different in some respects from shareholders' rights under the laws of jurisdictions within the United States and other countries. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction outside of Japan. For a detailed discussion of the relevant provisions under the Japanese Commercial Code and our Articles of Incorporation, see "Item 10.B. Additional Information--Memorandum and Articles of Association."

It may not be possible for investors to effect service of process within the United States upon us or our directors, senior management or corporate auditors, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

We are a joint stock company incorporated under the laws of Japan. Almost all of our directors, senior management and corporate auditors reside outside of the United States. Many of our and their assets are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Risks Related to Owning ADSs

As a holder of ADSs, you have fewer rights than a shareholder has and you must act through the depositary to exercise these rights.

The rights of our shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian, is the record holder of the shares underlying the ADSs, a holder of ADSs may not be entitled to the same rights as a shareholder. In your capacity as an ADS holder, you are not able to bring a derivative action, examine our accounting books and records or exercise appraisal rights, except through the depositary.

Foreign exchange rate fluctuations may affect the U.S. dollar value of our ADSs and dividends payable to holders of our ADSs.

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and

other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

Item 4. Information on the Company.

A. History and Development of the Company

Mitsubishi Tokyo Financial Group, Inc.

Mitsubishi Tokyo Financial Group, Inc. is a joint stock company (kabushiki kaisha) incorporated in Japan under the Commercial Code of Japan. On April 2, 2001, Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank established Mitsubishi Tokyo Financial Group, Inc. to be a holding company for the three of them. Before that, each of the banks had been a publicly held company. On April 2, 2001, through a stock-for-stock exchange, they became wholly-owned subsidiaries of Mitsubishi Tokyo Financial Group, Inc., and the former shareholders of the three banks became shareholders of Mitsubishi Tokyo Financial Group, Inc. Nippon Trust Bank was later merged into Mitsubishi Trust Bank. As a result, Mitsubishi Tokyo Financial Group, Inc. now has two directly held banking subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, although each of these two banks also has other subsidiaries of its own. On April 1, 2004 we introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets (Asset Management and Administration). Mitsubishi Tokyo Financial Group, Inc.'s registered address is 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan, and its telephone number is 81-3-3240-8111.

For a discussion of the newly introduced integrated business group system and other recent developments, see "Item 5.A. Operating and Financial Review and Prospects--Recent Developments."

The Bank of Tokyo-Mitsubishi, Ltd.

Bank of Tokyo-Mitsubishi is a major commercial banking organization in Japan and provides a broad range of domestic and international banking services from its offices in Japan and around the world. Bank of Tokyo-Mitsubishi is a "city" bank, as opposed to a regional bank. Bank of Tokyo-Mitsubishi's registered head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388, Japan, and its telephone number is 81-3-3240-1111. Bank of Tokyo-Mitsubishi is a joint stock company (kabushiki kaisha) incorporated in Japan under the Japanese Commercial Code.

Bank of Tokyo-Mitsubishi was formed through the merger, on April 1, 1996, of The Mitsubishi Bank, Limited and The Bank of Tokyo, Ltd. The origins of Mitsubishi Bank can be traced to the Mitsubishi Exchange Office, a money exchange house established in 1880 by Yataro Iwasaki, a key figure in the Japanese industrial revolution and the founder of the Mitsubishi industrial, commercial and financial group. In 1895, the Mitsubishi Exchange Office was succeeded by the Banking Division of the Mitsubishi Goshi Kaisha, the holding company of the "Mitsubishi group" of companies, that began in the late 19th century with interests in shipping and trading. Mitsubishi Bank had been a principal bank to many of the Mitsubishi group companies, but broadened its relationships to cover a wide range of Japanese industries, small and medium-sized companies and individuals.

Bank of Tokyo was established in 1946 as a successor to The Yokohama Specie Bank, Ltd., a special foreign exchange bank established in 1880. In the postwar period, because of the need to establish a financial institution specializing

in foreign trade financing, the government of Japan promulgated the Foreign Exchange Bank Law in 1954, and Bank of Tokyo became the only bank licensed under that law. Because of its license, Bank of Tokyo received special consideration from the Ministry of Finance in establishing its offices abroad and in many other aspects relating to foreign exchange and international finance. The worldwide network of Bank of Tokyo was more extensive than that of any other Japanese bank, and through this network, Bank of Tokyo was engaged in a full range of commercial banking activities, both in Japan and overseas, serving the diverse financial requirements of its clients throughout the world.

On September 1, 2002, Bank of Tokyo-Mitsubishi completed the merger of its securities subsidiaries and affiliate, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd. and Tokyo-Mitsubishi Personal Securities Co., Ltd., and Mitsubishi Trust Bank's securities affiliate, Issei Securities Co., Ltd., to form Mitsubishi

Securities Co., Ltd., or Mitsubishi Securities. Since the merger, Bank of Tokyo-Mitsubishi has been consolidating various areas of its securities and investment banking business, such as mergers and acquisitions, part of its derivative operations, corporate advisory and securitization operations, under Mitsubishi Securities.

Bank of Tokyo-Mitsubishi is a member of the "Mitsubishi group" of companies. The expression "Mitsubishi group" is used to describe 29 companies with historical links to a prewar group of companies that were under common control. Although there are numerous, generally small, cross-shareholdings among these companies even today and frequent organized gatherings of their chairmen and presidents, since the end of World War II, the Mitsubishi group companies have been managed and operated independently. The shares of 21 of the Mitsubishi group companies are publicly listed in Japan, and these companies are engaged in a broad range of activities including manufacturing, trading, natural resources, transportation, real estate, banking and insurance.

The Mitsubishi Trust and Banking Corporation

Mitsubishi Trust Bank is a major trust bank in Japan, providing trust and banking services to meet the financing and investment needs of clients in Japan and the rest of Asia, as well as in the United States and Europe. Mitsubishi Trust Bank's registered head office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan. Its telephone number is 81-3-3212-1211. Mitsubishi Trust Bank is also a joint stock company (kabushiki kaisha) incorporated in Japan under the Japanese Commercial Code.

Mitsubishi Trust Bank traces its history to The Mitsubishi Trust Company, Limited, which was founded by the leading members of the Mitsubishi group companies in 1927. The Japanese banking and financial industry was reconstructed after World War II and, in 1948, Mitsubishi Trust Bank was authorized to engage in the commercial banking business, in addition to its trust business, under the new name Asahi Trust & Banking Corporation. In 1952, the bank changed its name again, to The Mitsubishi Trust and Banking Corporation.

Nippon Trust Bank and The Tokyo Trust Bank, Ltd., which were previously subsidiaries of Bank of Tokyo-Mitsubishi, were merged into Mitsubishi Trust Bank on October 1, 2001. By combining the trust-related resources and expertise of these three trust banks, we believe Mitsubishi Trust Bank is well-positioned to provide clients with trust services that match their evolving needs.

Like Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank is a member of the "Mitsubishi group" of companies.

B. Business Overview

Mitsubishi Tokyo Financial Group, Inc. is one of the world's leading bank holding companies. Through our two directly held subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, and their subsidiaries, we provide a full range of domestic and international financial services, including commercial banking, investment banking and asset management services, as well as trust services, to individuals and corporate customers.

While maintaining the corporate cultures and core competencies of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, Mitsubishi Tokyo Financial Group, Inc., as the holding company, seeks to work with them to find ways to:

.. establish a more diversified financial services group operating across business sectors;

.. leverage the flexibility afforded by our organizational structure to expand our business;

.. benefit from the collective expertise of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank;

.. achieve operational efficiencies and economies of scale; and

.. enhance the sophistication and comprehensiveness of the group's risk management expertise.

In order to further enhance our operations and increase profits, we have begun implementing a new three-year plan starting from fiscal 2004. As part of this Medium-Term Business Plan, we have set an aspiration of becoming one of the world's leading financial institutions by market capitalization. As a framework for achieving this aspiration, in April 2004 we introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets (Asset Management and Administration). These three businesses will serve as the group's core sources of net operating profit. In addition, the role of Mitsubishi Tokyo Financial Group, Inc. as the holding company has expanded from strategic coordination to integrated strategic management. Under the new framework, group-wide strategies will be determined by the holding company and executed by the subsidiary banks.

Under this integrated business group system, we aim to reduce overlapping of functions within the group, thereby increasing efficiency and realizing the benefits of our group resources and scale of operations. Moreover, through greater integration of our shared expertise in the banking, trust and securities businesses, we aim to deliver a more diverse but integrated lineup of products and services to our customers. As part of our efforts to increase group synergies and convenience to our customers, we will also seek to create and develop new services and distribution channels.

For information on the strategic business and capital alliance between Mitsubishi Tokyo Financial Group and ACOM, see "Item 5.A. Operating and Financial Review and Prospects--Recent Developments--Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM."

For information on the proposed management integration between Mitsubishi Tokyo

Financial Group, Inc. and the UFJ Group, see "Item 5.A. Operating and Financial Review and Prospects--Recent Developments--Basic Agreement Regarding the Management Integration of Mitsubishi Tokyo Financial Group and the UFJ Group."

Bank of Tokyo-Mitsubishi

Bank of Tokyo-Mitsubishi is a major Japanese commercial banking organization. It provides a broad range of domestic and international banking services in Japan and around the world. As of June 1, 2004, Bank of Tokyo-Mitsubishi's network in Japan included 248 branches, 19 sub-branches, 57 loan plazas, 490 branch ATMs and 16,639 convenience store-based, non-exclusive ATMs. Bank of Tokyo-Mitsubishi organizes its operations based on customer and product segmentation, as follows:

.. retail banking;

.. commercial banking;

.. global corporate banking;

.. investment banking and asset management, and Mitsubishi Securities;

.. UNBC;

.. operations services;

.. treasury; and

.. other, including systems services and eBusiness & IT initiatives.

For a detailed analysis of financial results by business segment, which is mainly based on our business organizations, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Business Segment Analysis--Bank of Tokyo-Mitsubishi." For a detailed analysis of financial results by geographic segment, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Geographic Segment Analysis."

As discussed above, in April 2004 we introduced an integrated business group system which combines the operations of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank into three core business areas: Retail, Corporate and Trust Assets. Under the integrated business group system, each business unit of Bank of Tokyo-Mitsubishi will further cooperate with other business units of Bank of Tokyo-Mitsubishi and the various business groups of Mitsubishi Trust Bank. For example,

.. Mitsubishi Securities will collaborate with the retail banking business unit to develop and offer products and services for our retail clients as part of our Integrated Retail Banking Business Group.

.. The commercial banking business unit, the global corporate banking business unit, the investment banking and asset management business unit and Mitsubishi Securities will work together to develop and provide products and services for our corporate clients as part of our Integrated Corporate Banking Business Group.

.. Our IT solution business, which is part of the eBusiness and IT initiatives business unit, will also offer services as part of our Integrated Corporate Banking Business Group.

.. Our asset management services and global custody services, which is part of the investment banking and asset management business unit, will collaborate with business groups of Mitsubishi Trust Bank to offer services and products as part of our Integrated Trust Assets Business Group.

The UNBC business unit, the operations services unit, the treasury unit, the system services unit, the eBusiness & IT initiatives unit with the exception of IT solution business, and the corporate center are not part of our integrated business group system.

Retail Banking Business Unit

The retail banking business unit of Bank of Tokyo-Mitsubishi offers a full range of banking products and services, including financial consulting services, to individual customers in Japan. In addition to its branch offices and other direct distribution channels, the retail banking business unit offers products and services through e-net ATMs (a convenience store-based ATM network utilized by a number of different banks), telephone and internet banking services and mail order. Some of Bank of Tokyo-Mitsubishi's branches are joint branches with either Mitsubishi Trust Bank or Mitsubishi Securities, or both.

Deposits and loans. The unit offers a full range of bank deposit products. One such product is a multiple purpose bank account that not only includes ordinary deposits but also has overdraft privileges collateralized by time deposits, bank debentures and public bonds held in custody. The unit also offers housing loans, educational loans, special purpose loans, card loans and other loans to individuals.

Individual annuity insurance. The unit has been actively promoting the sales of individual annuity insurance products since the Japanese government lifted the prohibition against sales of such products by Japanese banks in October 2002. The unit's current product lineup features capital guarantee variable annuity products and foreign currency-denominated fixed annuity insurance products. The latter lets customers choose between US dollar and euro denominations, and is the first such annuity insurance product introduced in Japan. In April 2004, we also introduced the first annuity insurance in Japan to offer an annuity capital guarantee at 110% of the basic benefit amount, which was also the first product developed as part of an alliance with Manulife Life Insurance Company.

Investment trusts. The unit offers 29 equity and bond funds and a program fund, the M-CUBE program, which is exclusively organized for Bank of Tokyo-Mitsubishi by Frank Russell Company, and combines four specific funds. We offer a menu of funds that allows our customers to achieve their desired balance of risk diversification and return.

As part of the effort to realize synergies between our two Japanese bank subsidiaries, the unit markets to its retail customers select trust products of Mitsubishi Trust Bank under a trust agency arrangement.

Tokyo-Mitsubishi Direct. The unit offers a telephone and internet banking service called Tokyo-Mitsubishi Direct. Since the service was launched in 1999, the number of customers has risen steadily, reaching 2.4 million individual customers at the end of March 2004, which is approximately 17% of the unit's total customer base.

Credit cards. The unit offers MasterCard and VISA credit cards through several

channels. Through Bank of Tokyo-Mitsubishi, it offers the Tokyo-Mitsubishi Card. It also offers credit cards through Bank of Tokyo-Mitsubishi's subsidiaries, DC Card Co., Ltd. and Tokyo Credit Service, Ltd.

Tokyo-Mitsubishi Cash One. Since March 2002, the unit has offered loans to its customers through Tokyo-Mitsubishi Cash One Ltd., a consumer credit company established jointly by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and three leading Japanese consumer credit companies: ACOM, DC Card and JACCS Co., Ltd.

Commercial Banking Business Unit

As part of our Integrated Corporate Banking Business Group, the commercial banking business unit of Bank of Tokyo-Mitsubishi mainly provides banking products and services to a wide range of business customers, from large corporations to medium-sized and small businesses, and is responsible for customer relationships. The unit serves these customers through 115 offices in Japan as well as directly from its headquarters. The unit provides traditional commercial banking services, such as deposits, settlement, foreign exchange and loans, as well as trust products of Mitsubishi Trust Bank, electronic banking and highly sophisticated consultancy services to meet its customers' needs. The unit works closely with other business units, such as the global corporate banking business unit, the treasury unit and the investment banking and asset management business unit.

Financing and fund management. The unit advises on financing methods for our customers' various financing needs, including loans with derivatives, corporate bonds, commercial paper, asset backed securities, securitization programs and syndicated loans. The unit also offers a wide range of products to meet our customers' fund management needs, such as deposits with derivatives, government bonds, debenture notes and investment funds.

Advice on business expansion overseas. The unit provides advisory services to clients launching businesses overseas, particularly Japanese companies expanding into other Asian countries.

Settlement services. The unit provides electronic banking services that allow customers to make domestic and overseas remittances electronically. The unit's settlement and cash management services include global settlement services, Global Cash Management Services, a global pooling/netting service, and Treasury Station, a fund management system for group companies. These services are particularly useful to customers who do business worldwide.

Risk management. The unit offers swap, option and other risk-hedge programs to customers seeking to control foreign exchange, interest rate and other business risks.

Corporate management/financial strategies. The unit provides advisory services to customers in the areas of mergers and acquisitions, inheritance-related business transfers and stock listings. The unit also helps customers develop financial strategies to restructure their balance sheets. These strategies include the use of credit lines, factoring services and securitization of real estate.

Corporate welfare facilities. The unit offers products and administrative services to help customers with employee benefit plans. As a service to our customers, the unit often provides housing loans to our customers' employees. The unit also provides company-sponsored employee savings plans and defined contribution plans.

Global Corporate Banking Business Unit

The global corporate banking business unit of Bank of Tokyo-Mitsubishi provides banking services to large Japanese corporations and their overseas operations as well as to non-Japanese corporations who do business on

a global basis. The unit serves customers through corporate banking divisions in Tokyo, a global network of 57 overseas branches and sub-branches, 16 representative offices and overseas banking subsidiaries.

Overseas business support. The unit provides a full range of services to support customers' overseas activities, including loans, deposits, assistance with mergers and acquisitions and cash management services. The unit provides financial services to customers in cooperation with other business units, such as the treasury unit and the investment banking and asset management business unit, and also through subsidiaries that are part of those units, such as Mitsubishi Securities, Mitsubishi Securities International plc (formerly Tokyo-Mitsubishi International plc) and BTM Capital Corporation.

During the fiscal year ended March 31, 2004, the unit provided advisory services to help customers develop financial strategies, such as arranging the issuance of asset-backed commercial paper, providing credit commitments and securitizing real estate in Japan. Together with the investment banking and asset management business unit, the unit also developed its investment banking business to increase our non-interest income.

Global Cash Management Service. Bank of Tokyo-Mitsubishi started offering Global Cash Management Service, or GCMS, through our foreign branches. This service allows customers to monitor their foreign accounts and make remittances through their personal computers and Bank of Tokyo-Mitsubishi has introduced several enhancements such as internet-based access and Chinese-language capability. This service is now available through 21 foreign branches and the total number of GCMS corporate customers was over 2,270 as of March 31, 2004, an increase of about 470 customers compared to that as of March 31, 2003.

Investment Banking and Asset Management Business Unit and Mitsubishi Securities

Bank of Tokyo-Mitsubishi's investment banking business unit and asset management business unit were merged in May 2003 to form the investment banking and asset management business unit.

Investment Banking

The unit provides capital markets, derivatives, securitization, syndicated loans, structured finance and other services. Other business units of Bank of Tokyo-Mitsubishi cooperate with the investment banking and asset management business unit in offering services to customers. In addition, BTM Capital Corporation and BTM Leasing & Finance, Inc. provide leasing services to their customers.

Capital Markets. The unit provides arrangement services relating to private placements for mainly medium-sized enterprise issuers and institutional investors. During the fiscal year ended March 31, 2004, we arranged 853 issuances totaling (Yen)234.5 billion.

Derivatives. The unit develops and offers derivatives products for risk management and other financial needs. The unit has trading desks and sales teams specializing in derivatives in Tokyo, Singapore, Hong Kong, London and New York.

Securitization. In the securitization area, the unit is primarily engaged in asset-backed commercial paper programs and has securitization teams based in Tokyo, New York and London. It continues to develop and structure new types of transactions.

Syndicated loans. The unit structures and syndicates many types of loan transactions, including term loans, revolving credit and structured transactions. It has loan syndication operations in Tokyo, New York, London, Hong Kong and Singapore. We arranged syndicated loans with an aggregate principal amount totaling $44.0 billion in the year ended December 31, 2003.

Structured finance. The unit engages in project finance, real estate finance, lease related finance, and other types of non-recourse or limited-recourse and structured financings. It provides customers with financial advisory services, loan arrangements and agency services. It has teams located in Tokyo, Hong Kong, Singapore, London, New York and Boston.

Other investment banking services. In the United States, the unit offers leasing services through two subsidiaries, BTM Capital Corporation and BTM Leasing & Finance. BTM Capital Corporation offers a wide range of leasing services to non-Japanese customers, while BTM Leasing & Finance focuses on providing services to the U.S. subsidiaries and affiliates of Japanese corporations.

Asset Management

The unit provides asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan. Generally, these products and services are delivered to customers of Bank of Tokyo-Mitsubishi through the retail banking business unit and the commercial banking business unit, and are provided by Tokyo-Mitsubishi Asset Management, Ltd. and Mitsubishi Trust Bank.

Asset management. Tokyo-Mitsubishi Asset Management, Ltd., a licensed discretionary investment advisor and investment trust management company, provides investment management and advisory services for institutional investors, including pension funds. It also offers a wide array of investment products which, as of March 31, 2004, are marketed by almost 60 Japanese financial institutions, including the Bank of Tokyo-Mitsubishi and regional banks, mainly to individual customers.

Tokyo-Mitsubishi Asset Management has continued to expand its investment product line. In the fiscal year ended March 31, 2004, it launched a new fund that mainly invests in fixed-income securities issued by foreign governments and pays dividends quarterly.

Tokyo-Mitsubishi Asset Management will merge with Mitsubishi Trust Asset Management Co., Ltd. to form Mitsubishi Asset Management Co., Ltd. on October 1, 2004. Mitsubishi Asset Management aims to become a leader in Japan's publicly offered investment trust industry by leveraging its high-quality, sophisticated products and services with our excellent customer base.

The Bank of Tokyo-Mitsubishi and Tokyo-Mitsubishi Asset Management also maintain business relationships with Mellon Financial Group, Frank Russell Company, Ltd. and Schroder Investment Management (Japan) Ltd. Tokyo-Mitsubishi Asset Management distributes sophisticated investment products provided by these institutions.

Advice on Defined Contribution Plans. We provide consulting services for defined contribution plans through Defined Contribution Plan Consulting of Japan Co., Ltd., which was established by Bank of Tokyo-Mitsubishi in alliance with Mitsubishi Trust Bank, Meiji Yasuda Life Insurance Company and Tokio Marine & Fire Insurance, Ltd., following legislation introduced in October 2001. Defined Contribution Plan Consulting of Japan provides a full range of services, such as plan administration services and advising clients in the selection of investment products, to meet various needs for our corporate clients and the plan participants.

Wealth management. In 2002, two wealth management companies were established to capitalize on our wealth management resources and capabilities. In August 2002, Mitsubishi Tokyo Wealth Management Securities, Ltd. began its operations, and in September 2002, Mitsubishi Tokyo Wealth Management (Switzerland), Ltd. took over the private banking business from Bank of Tokyo-Mitsubishi (Switzerland), Ltd. These two subsidiaries provide sophisticated and broad investment services and solutions to high net worth customers.

Mitsubishi Securities

Mitsubishi Securities offers investment banking services, including securities-related services and advice on mergers and acquisitions and corporate advisory matters, to its customers.

In September 2002, we merged Bank of Tokyo-Mitsubishi's securities subsidiaries and affiliate, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd. and Tokyo-Mitsubishi Personal Securities Co., Ltd., and Mitsubishi Trust Bank's securities affiliate, Issei Securities Co., Ltd., to create Mitsubishi Securities. As of March 31, 2004, we owned 58.38% of Mitsubishi Securities. Mitsubishi Securities functions as the core of our securities and investment banking business. Since the merger, we have consolidated most of our securities business and various areas of our investment banking business, such as mergers and acquisitions, derivatives, corporate advisory and securitization operations that were previously conducted through Bank of Tokyo-Mitsubishi's investment banking unit, into Mitsubishi Securities. In the fiscal year ended March 31, 2003, we started to account for Mitsubishi Securities as a separate segment for financial management purposes. For more details, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Business Segment Analysis--Bank of Tokyo-Mitsubishi."

In addition to its own branch network, Mitsubishi Securities caters to the needs of individual investors in cooperation with Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank through joint branches and MTFG Plazas that provide a variety of financial products and services targeted toward individual investors. As of March 31, 2004, Mitsubishi Securities had 69 offices, 30 of which had been converted to joint branches with Bank of Tokyo-Mitsubishi or Mitsubishi Trust Bank.

In the fixed income securities business, Mitsubishi Securities offers customers a wide range of investment products. Mitsubishi Securities provides in-depth company and strategy reports through its in-house research functions and its equity sales staff provides services to a wide range of domestic and overseas clients ranging from individual investors to institutional investors. Through its derivative products, Mitsubishi Securities provides various solutions to meet customers' risk management needs. Other services offered by Mitsubishi Securities include bond underwriting, equity underwriting, securitization of assets, initial public offerings, mergers and acquisitions, and support for

investor relations activities. To reinforce its global network, Mitsubishi Securities acquired the overseas securities subsidiaries of the Bank of Tokyo-Mitsubishi in New York, Hong Kong, and Singapore in 2003, and made Tokyo-Mitsubishi International plc (currently Mitsubishi Securities International plc) in London into its subsidiary in July 2004.

UNBC Business Unit

As of June 30, 2004, Bank of Tokyo-Mitsubishi owned 62.1% of UnionBanCal Corporation, a publicly traded company listed on the New York Stock Exchange. UnionBanCal is a U.S. commercial bank holding company. Union Bank of California, N.A., UnionBanCal's bank subsidiary, is one of the largest commercial banks in California based on total assets and total deposits and is among the oldest banks on the West Coast, having roots as far back as 1864.

UNBC provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon and Washington but also nationally and internationally.

UNBC's operations are divided into four primary groups.

The Community Banking and Investment Services Group. This group offers its customers a wide spectrum of financial products within its comprehensive lineup. With a broad line of checking and savings, investment, loan and fee-based banking products, individual and business clients, including not-for-profit, small and institutional investors, can each have their specific needs met. As of June 30, 2004, these products are offered in 301 full-service branches, primarily in California, as well as in Oregon and Washington. In addition, the group offers international and settlement services, e-banking through its website, check cashing services at its Cash & Save locations and loan and investment products tailored to its high net worth consumer customers through its private banking business. Institutional customers are offered employee benefit, 401(k) administration, corporate trust, securities lending and custody (global and domestic) services. The group also includes a registered broker-dealer and a registered investment advisor, which provide investment advisory services and manage a proprietary mutual fund family.

In accordance with its strategies to diversify earnings and broaden its branch network, UNBC aims to expand its business through targeted acquisitions, including banks and insurance agencies. For example, in 2001 UNBC acquired the Fullerton, California-based Armstrong/Robitaille, Inc. UNBC then acquired the San Diego, California-based John Burnham & Company in 2002 before acquiring two additional regional insurance brokers, Pleasanton, California-based Tanner Insurance Brokers, Inc., and Glendale, California-based Knight Insurance Agency in 2003. With offices in California and Oregon, these acquisitions allow UNBC to offer an extensive array of cost-effective risk management services and insurance products to business and retail customers.

During 2002, UNBC acquired the Simi Valley, California-based First Western Bank and Santa Clarita, California-based Valencia Bank & Trust, which added $490 million in assets to UNBC's balance sheet and 12 branches to its branch network. During 2003, UNBC acquired the Watsonville, California-based Monterey Bay Bank, which added $632 million in assets to its balance sheet and eight branches to its branch network. In January 2004, UNBC acquired Business Bank of California, a commercial bank headquartered in San Bernardino, California, with $704 million in assets and 15 full-service branches. The integration of these banks expanded UNBC's geographic footprint in both Southern and Northern

California and allows UNBC to expand its client base while offering existing consumer and commercial customers a fuller range of financial services. In July 2004, UNBC announced that it will acquire Jackson Federal Bank, which operates 14 branches in Southern California. As of June 30, 2004, Jackson Federal Bank had $1.2 billion in outstanding loans and $1.1 billion in deposits.

The Commercial Financial Services Group. This group offers a variety of commercial financial services, including commercial loans and project financing, real estate financing, asset-based financing, trade finance and letters of credit, lease financing, customized cash management services and selected capital markets products. The group's customers include middle-market companies, large corporations, real estate companies and other more specialized industry customers. In addition, specialized depository services are offered to title and escrow companies, retailers, domestic financial institutions, bankruptcy trustees and other customers with significant deposit volumes.

The International Banking Group. This group primarily provides correspondent banking and trade finance-related products and services to financial institutions worldwide, primarily in Asia. This group has a long and stable history of providing these services to that market.

The Global Markets Group. This group, in collaboration with other UNBC business groups, offers customers a broad range of products. They include a variety of foreign exchange products and risk management products, such as interest rate swaps and options. The group trades money market and fixed income securities in the secondary market and serves institutional investment needs. The group also manages market-related risks for UNBC as part of its responsibilities for asset/liability management, including funding UNBC's liquidity needs and addressing its interest rate risk.

Operations Services Unit

Through its operations services unit, Bank of Tokyo-Mitsubishi provides operations and settlement services to its other business units. The unit also earns fee income by providing settlement and remittance services, including correspondent banking services, to Bank of Tokyo-Mitsubishi's customers. In addition, the unit also offers competitive operations and settlement services to other financial institutions to meet their outsourcing needs.

Operations services. The operations division of Bank of Tokyo-Mitsubishi's operations services unit provides operations services for the domestic commercial banking activities of the retail banking, commercial banking and global corporate banking business units. Bank of Tokyo-Mitsubishi has expanded centralized processing at its operations centers, which will increase the efficiency of its branch offices. On March 31, 2004, Bank of Tokyo-Mitsubishi entered into an alliance with 23 other regional banks to cooperate with regard to logistics among domestic branches in order to achieve more efficient branch network operations.

The operations division also offers outsourcing services in foreign remittance, export and import operations for Japanese financial institutions. As of March 31, 2004, 69 Japanese banks utilized Bank of Tokyo-Mitsubishi's foreign remittance services offered under its Global Operation Automatic Link (GOAL) service, and a number of Japanese banks outsourced their export and import operations to Bank of Tokyo-Mitsubishi.

Correspondent banking and settlement. The payment and clearing services division of Bank of Tokyo-Mitsubishi's operations services unit maintains

financial institutions' accounts with correspondent arrangements. As of March 31, 2004, Bank of Tokyo-Mitsubishi had correspondent arrangements with 2,980 foreign banks and other financial institutions, of which 1,646 had yen settlement accounts with Bank of Tokyo-Mitsubishi. Bank of Tokyo-Mitsubishi also had correspondent arrangements with 133 Japanese financial institutions, for which Bank of Tokyo-Mitsubishi held 142 yen and foreign currency accounts.

The Foreign Exchange Yen Clearing System in Japan introduced an entrustment procedure for yen clearing through which banks may entrust other banks to conduct yen clearing for them. Bank of Tokyo-Mitsubishi has the largest share of this business in the market. As of March 31, 2004, 46 regional and foreign banks in Japan outsourced their yen clearing operations to Bank of Tokyo-Mitsubishi. Bank of Tokyo-Mitsubishi handled approximately 25% of these transactions based on transaction amounts and is a market leader in the yen settlement business.

Bank of Tokyo-Mitsubishi's payment and clearing services division is also taking the initiative in the global implementation of the Continuous Linked Settlement operation, which is intended to eliminate the settlement risk that can occur when foreign exchange deals are settled.

Treasury Unit

The treasury unit of Bank of Tokyo-Mitsubishi manages Bank of Tokyo-Mitsubishi's overall funding requirements. The unit is responsible for Bank of Tokyo-Mitsubishi's asset liability management and manages Bank of Tokyo-Mitsubishi's securities investment portfolio, foreign exchange and derivatives transactions, including proprietary trading. It works with other business units to provide various financial products such as foreign currency forward, currency options and commercial paper.

The treasury unit is active in financial markets worldwide and has global treasury offices in Tokyo, New York, London, Singapore and Hong Kong.

As part of its asset liability management for Bank of Tokyo-Mitsubishi, the treasury unit seeks to control the interest rate and liquidity risks of Bank of Tokyo-Mitsubishi and to make it possible for it to conduct its investment and fund-raising activities within an appropriate range of risk. The treasury unit centrally monitors and manages all interest rate risk and liquidity risk for Bank of Tokyo-Mitsubishi.

In the international money markets, the treasury unit raises foreign currency funds through inter-bank transactions, deposits and certificates of deposit. It actively deals in short-term yen-denominated instruments, such as interest rate swaps, futures and options on futures. Bank of Tokyo-Mitsubishi is a major market maker in short-term yen interest rate swaps.

Bank of Tokyo-Mitsubishi is a leading market maker for the Tokyo foreign exchange and over-the-counter currency option markets. Bank of Tokyo-Mitsubishi has a large market share of transactions in the US dollar-yen sector and in other major cross currency and currency option trading.

The unit also actively trades in the secondary market for Japanese government bonds, local government bonds and government guaranteed bonds.

Other Business Units

In addition to the above, Bank of Tokyo-Mitsubishi also has other business

units, including:

.. system services, which is responsible for Bank of Tokyo-Mitsubishi's computer systems;

.. eBusiness & IT initiatives, which is responsible for developing and overseeing information technology within the Bank of Tokyo-Mitsubishi as well as related business opportunities; and

.. the corporate center, which retains functions such as strategic planning, overall risk management, internal auditing and compliance within Bank of Tokyo-Mitsubishi.

Mitsubishi Trust Bank

Mitsubishi Trust Bank is one of the major trust banks in Japan. It engages in the following businesses:

.. trust-banking business;

.. trust assets business;

.. real estate business;

.. stock transfer agency business; and

.. global markets business.

As discussed above, in April 2004 we introduced an integrated business group system which combines the operations of Mitsubishi Trust Bank and Bank of Tokyo-Mitsubishi into three core business areas: Retail, Corporate and Trust Assets. Under the integrated business group system, each business unit of Mitsubishi Trust Bank will further cooperate with other business groups of Mitsubishi Trust Bank and the various business units of Bank of Tokyo-Mitsubishi. For example,

.. The retail banking services provided by Mitsubishi Trust Bank's trust banking business group and the real estate services provided to individuals by Mitsubishi Trust Bank's real estate business group will be provided as part of our Integrated Retail Banking Business Group.

.. The corporate finance products and services provided by Mitsubishi Trust Bank's trust banking business group, the real estate services provided to corporate clients by Mitsubishi Trust Bank's real estate business group and the services provided by Mitsubishi Trust Bank's stock transfer agency business group will be provided as part of our Integrated Corporate Banking Business Group.

.. The trust assets management services and the asset administration and custodial services provided by Mitsubishi Trust Bank's trust assets business group will be provided as part of our Integrated Trust Assets Business Group.

With the exception of treasury-related services, services in the global markets business group are provided as part of Mitsubishi Tokyo Financial Group, Inc.'s integrated corporate banking business group.

As of March 31, 2004, Mitsubishi Trust Bank had a network of 47 branches and one sub-branch in Japan. For a detailed analysis of financial results by business segment, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Business Segment Analysis--Mitsubishi Trust Bank," and for a detailed analysis of financial results by geographic segment,

see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Geographic Segment Analysis."

Trust-Banking Business Group

The trust-banking business group of Mitsubishi Trust Bank provides retail banking and trust services, as well as corporate financing services. The trust-banking business group provides a full range of trust and commercial

banking products and various financial services to individuals, corporations, institutional investors and public organizations. Mitsubishi Trust Bank offers some of its products and services through its trust agency arrangements with various banks, including Bank of Tokyo-Mitsubishi.

As it serves as the first point of contact with customers, this group is responsible for building and maintaining good relationships with retail and corporate clients.

Retail banking services. The trust-banking business group offers a variety of asset-management and asset administration services to individuals. The group's asset management products include savings instruments such as current accounts, ordinary deposits, time deposits, deposits at notice and other deposit facilities. It also offers trust products, such as loan trusts and money trusts, and other investment products, such as investment trusts, performance-based money trusts and foreign-currency deposits.

The group creates portfolios tailored to the customers' needs by combining savings instruments and investment products. The group also provides a range of asset management and asset administration products as well as customized trust products for high net worth individuals. Examples of services offered include advisory services relating to, among other things, the purchase and disposal of real estate and effective land utilization and testamentary trusts.

Since 1999, Mitsubishi Trust Bank has offered a members-only service called the "Excellent Club" targeted at customers who have aggregate balances of over (Yen)10 million per household at Mitsubishi Trust Bank. As of March 31, 2004, the Excellent Club had a membership of over 260,000 households. Members of the Excellent Club have access to, among other things, favorable interest rates and fee discounts, wealth management services and special products such as the "Excellent Club time deposits."

Corporate finance products and services. The trust-banking business group offers a range of services which integrate trust and banking functions in order to satisfy the financial needs of approximately 7,000 corporate clients. Examples of traditional commercial banking services include loans, the arrangement of syndicated loans, securitization and the establishment of loan commitments. Leveraging Mitsubishi Trust Bank's experience and know-how relating to the asset management business, real estate brokerage and appraisal services, the group offers services tailored to the financial strategies of each client, including securitization of real estate, receivables and other assets.

With respect to securitization services, the group is engaged in the securitization of the Government Housing Loan Corporation's housing loans and the securitization of nonperforming loans in cooperation with Japan's Resolution and Collection Corporation. As of March 31, 2004, the outstanding balance of loan credits (including nonperforming loans), property, sales credits and other credits that were securitized was over (Yen)6 trillion.

In order to meet the various needs of corporate customers, the group offers appropriate solutions by providing trust banking that combines trust services, such as those related to pensions and real estate, with diverse financing options.

Trust Assets Business Group

The trust assets business group provides fiduciary asset management and administration services. As of March 31, 2004, the balance of corporate pension assets entrusted to Mitsubishi Trust Bank surpassed the level held by all other trust banks in Japan.

This group is strengthening its consulting capabilities in response to an increasing demand for specialized consulting services as more Japanese companies seek to reform their pension and human resources systems.

Trust assets management services. The group manages investment funds, corporate pensions, public pensions, public sector funds and individual funds on behalf of its clients and in accordance with their investment objectives.

Mitsubishi Trust Asset Management Co., Ltd. will merge with Tokyo-Mitsubishi Asset Management to form Mitsubishi Asset Management Co., Ltd. on October 1, 2004. We believe this merger will strengthen our competitiveness in Japan's publicly offered investment trust industry by combining high-quality, sophisticated products and services with our broad customer base.

To address the diverse needs of Mitsubishi Trust Bank's clients, the group offers a wide range of products, including actively managed funds for investors seeking to outperform the market as well as passively managed or index-based funds, which are becoming increasingly popular. The group also provides currency overlay management services and alternative investment products.

Asset administration and custodial services. In the asset administration business, the group provides a broad range of administrative and custodial services to corporations, institutional investors and other clients. In May 2002, Mitsubishi Trust Bank transferred to Master Trust Bank of Japan, Ltd. assets under management encompassing securities held by funds including pension trusts, specified money trusts and securities investment trusts. Master Trust Bank of Japan is a trust bank which specializes in asset administration. It was established in May 2000 by Mitsubishi Trust Bank, Nippon Life, UFJ Trust Bank, Meiji Yasuda Life and Deutsche Bank. In October 2002 and November 2003, UFJ Trust Bank transferred its assets under management encompassing securities held by funds, including pension trusts, specified money trusts, and securities investment trusts to Master Trust Bank of Japan, increasing its trust assets to approximately (Yen)90 trillion as of March 31, 2004.

Real Estate Business Group

In addition to its principal business of real estate brokerage operations, the real estate business group utilizes its significant know-how relating to the securitization of real estate and real estate development, management and appraisal, to meet the diverse real estate-related needs of retail and corporate clients. The group is also focused on providing services that build on the experience and expertise of a trust bank. For example, the group offers advice relating to clients' real estate assets in the context of the restructuring of their businesses and financial strategies and their balance sheets, as clients try to respond to changes in the accounting treatment of

impairment losses and the increased focus on consolidated financial statements under Japanese GAAP. The group retains the services of a large number of highly qualified experts, including registered architects, registered real estate transaction managers, appraisers and associate appraisers and registered real estate consultants.

Stock Transfer Agency Business Group

In April 2004, Mitsubishi Trust Bank upgraded the status of its stock transfer agency business from part of the trust-banking business group to a newly established stock transfer agency business group. Mitsubishi Trust Bank aims to expand its stock transfer agency business by tapping into a wider client base and working closely with Bank of Tokyo-Mitsubishi. The group offers stock transfer agency services for corporate clients where Mitsubishi Trust Bank acts as an agent, as designated under the Japanese Commercial Code, and handles various administrative procedures such as stock title transfers and the calculation and payment of dividends. The group also offers consultation services relating to investor relations and corporate governance to listed companies and advises companies planning to go public on how to prepare for an initial public offering and other practical procedures involved in the issuance of shares. The group also provides a service that enables companies to send shareholder meeting notices to, and receive proxies from, shareholders via the internet. As of March 31, 2004, Mitsubishi Trust Bank was serving as the stock transfer agent for 916 companies based in Japan and overseas.

Global Markets Business Group

The global markets business group is active in various financial operations, including banking, money and capital markets operations, securities investments and custody operations and asset management. With the U.S., European and Asian markets as its core foundation, the group's business, through efficient management of its portfolio of financial products including securities, loan receivables and derivatives, has consistently maintained a high level of profitability and has been one of Mitsubishi Trust Bank's most important businesses.

In the area of international finance, the group offers loans, guarantees and other credit facilities to multinational corporate clients, including the overseas affiliates of Japanese corporations.

Mitsubishi Trust Bank maintains a presence in the world's major financial markets through a network of five branches, three representative offices and five major subsidiaries.

Competition

We face strong competition in all of our principal areas of operation. The deregulation of the Japanese financial markets as well as structural reforms in the regulation of the financial industry have resulted in dramatic changes in the Japanese financial system. Structural reforms have prompted Japanese banks to merge or reorganize their operations, thus changing the nature of the competition from other financial institutions as well as from other types of businesses.

Japan

Deregulation. Competition in Japan has intensified as a result of the relaxation of regulations relating to Japanese financial institutions.

Previously, there were various restrictions, such as foreign exchange controls, ceilings on deposit interest rates and restrictions that compartmentalized business sectors. These restrictions served to limit competition. However, as a result of the deregulation of the financial sector, such as through the "Financial Big Bang" which was announced in 1996, most of these restrictions were lifted before 2000. Deregulation has eliminated barriers between different types of Japanese financial institutions, which are now able to compete directly against one another. Deregulation and market factors have also facilitated the entry of various large foreign financial institutions into the Japanese domestic market.

The Law Amending the Relevant Laws for the Reform of the Financial System, or the Financial System Reform Act, which was promulgated in June 1998, provided a framework for the reform of the Japanese financial system by reducing the barriers between the banking, securities and insurance businesses and enabled financial institutions to engage in businesses which they were not permitted to conduct before. The Banking Law, as amended, now permits banks to engage in the securities business by establishing or otherwise owning domestic and overseas securities subsidiaries with the approval of the Financial Services Agency, an agency of the Cabinet Office. We expect a further increase in competition among financial institutions in these new areas of permissible activities.

In terms of new market entrants, other financial institutions, such as Orix Corporation, and non-financial companies, such as Sony Corporation and Ito-Yokado Co., Ltd., have also begun to offer various banking services, often through non-traditional distribution channels. Also, in recent years, various large foreign financial institutions have significantly expanded their presence in the Japanese domestic market. Citigroup, for example, has expanded its banking activities and moved aggressively to provide investment banking and other financial services, including retail services.

In the corporate banking sector, the principal effect of these reforms has been the increase in competition as two structural features of Japan's highly specialized and segmented financial system have eroded:

.. the separation of banking and securities businesses in Japan; and

.. the distinctions among the permissible activities of Japan's three principal types of private banking institutions.

For a discussion of the three principal types of private banking institutions, see " --The Japanese Financial System." In addition, in recent years, Japanese corporations are increasingly raising funds by accessing the capital markets, both within Japan and overseas, resulting in a decline in demand for loan financing. Furthermore, as foreign exchange controls have been generally eliminated, our customers can now have direct access to foreign financial institutions, with which we must also compete.

In the consumer banking sector, the deregulation of interest rates on yen deposits and other factors have enabled our bank subsidiaries to offer customers an increasingly attractive and diversified range of products. For example, banks may now sell investment trusts and some types of insurance products, with the possibility of expanding to additional types of insurance products in the future. We face competition in this sector from other private financial institutions as well as from Japan Post, a government-run public services corporation established on April 1, 2003, which was formerly known as the Postal Service Agency and which is the world's largest holder of deposits. Recently, competition has also increased due to the development of new products

and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner and to create sophisticated new products in response to customer demand.

The trust assets business is a promising growth area that is competitive and becoming more so because of changes in the industry. In addition, there is growing corporate demand for change in the trust regulatory environment, such as reform of the pension system and related accounting regulations under Japanese GAAP. However, competition may increase in the future as regulatory barriers to entry are lowered. Currently, the Japanese Diet is considering legislation proposing to expand the types of property that can be entrusted, to allow non-financial companies to conduct trust business and to allow a new type of registration to conduct only the administration type trust business. If these changes are implemented, the trust business will expand but at the same time there will be more competition.

Integration. Another major reason for heightened competition in Japan is the integration and reorganization of Japanese financial institutions. In 1998, amendments were made to the Banking Law to allow the establishment of bank holding companies, and this development together with various factors, such as the decline of institutional strength caused by the bad loan crisis and intensifying global competition, resulted in a number of integrations involving major banks in recent years. In September 2000, The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited and The Industrial Bank of Japan, Limited jointly established a holding company, Mizuho Holdings, Inc., to own the three banks. In April 2002, these three banks were reorganized into two banks--Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. In April 2001, The Sumitomo Bank, Limited and The Sakura Bank, Limited were merged into Sumitomo Mitsui Banking Corporation. In April 2001, The Sanwa Bank, Limited, The Tokai Bank, Limited and The Toyo Trust and Banking Company, Limited jointly established a holding company, UFJ Holdings, to own the three banks. In January 2002, the three banks were reorganized into two banks, UFJ Bank and UFJ Trust Bank Limited. In December 2001, The Daiwa Bank, Ltd. and two regional banks established Daiwa Bank Holdings Inc., which in March 2002 consolidated with Asahi Bank, Ltd. and changed its corporate name to Resona Holdings, Inc. in October 2002. For information on the injection of public funds into Resona Bank, Ltd., a subsidiary bank of Resona Holdings, Inc., see "--Supervision and Regulation--Japan--Deposit Insurance and Government Investment in Financial Institutions."

Foreign

In the United States, we face substantial competition in all aspects of our business. We face competition from other large U.S. and foreign-owned money-center banks, as well as from similar institutions that provide financial services. Through Union Bank of California, we compete principally with U.S. and foreign-owned money-center and regional banks, thrift institutions, insurance companies, asset management companies, investment advisory companies, consumer finance companies, credit unions and other financial institutions.

In other international markets, we face competition from commercial banks and similar financial institutions, particularly major international banks and the leading domestic banks in the local financial markets in which we conduct business.

The Japanese Financial System

Japanese financial institutions may be categorized into three types:

.. the central bank, namely the Bank of Japan;

.. private banking institutions; and

.. government financial institutions.

The Bank of Japan

The Bank of Japan's role is to maintain price stability and the stability of the financial system to ensure a solid foundation for sound economic development.

Private Banking Institutions

Private banking institutions in Japan are commonly classified into three categories (the following numbers are based on currently available information published by the Financial Services Agency) as of June 11, 2004:

.. ordinary banks (128 ordinary banks and 72 foreign commercial banks with ordinary banking operations);

.. trust banks (26 trust banks, including 8 Japanese subsidiaries of foreign financial institutions); and

.. long-term credit banks (one long-term credit bank).

Ordinary banks in turn are classified as city banks, of which there are six, including Bank of Tokyo-Mitsubishi, and regional banks, of which there are 114. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

The city banks are generally considered to constitute the largest and most influential group of banks in Japan. Generally, these banks are based in large cities, such as Tokyo and Osaka, and operate nationally through networks of branch offices. City banks have traditionally emphasized their business with large corporate clients, including the major industrial companies in Japan. However, in light of deregulation and other competitive factors, many of these banks, including Bank of Tokyo-Mitsubishi, in recent years have increased their emphasis on other markets, such as small and medium-sized companies and retail banking.

With some exceptions, the regional banks tend to be much smaller in terms of total assets than the city banks. Each of the regional banks is based in one of the Japanese prefectures and extends its operations into neighboring prefectures. Their clients are mostly regional enterprises and local public utilities, although the regional banks also lend to large corporations. In line with the recent trend among financial institutions toward mergers or business tie-ups, various regional banks have announced or are currently negotiating or pursuing integration transactions, in many cases in order to be able to undertake the huge investments required in information technology.

Trust banks, including Mitsubishi Trust Bank, provide various trust services relating to money trusts, pension trusts and investment trusts and offer other services relating to real estate, stock transfer agency and testamentary services as well as banking services.

Long-term credit banks are engaged primarily in providing long-term loans to Japanese industries, principally with funds obtained from the issue of

debentures.

In recent years, almost all of the city banks have consolidated with other city banks and also, in some cases, with trust banks or long-term credit banks. Integration among these banks was achieved, in most cases, through the

use of a bank holding company as discussed in "--Competition--Japan--Integration" and "--Supervision and Regulation--Japan--Bank Holding Company Regulations."

In addition to ordinary banks, trust banks and long-term credit banks, other private financial institutions in Japan, including shinkin banks or credit associations, and credit cooperatives, are engaged primarily in making loans to small businesses and individuals.

Government Financial Institutions

Since World War II, a number of government financial institutions have been established. These corporations are wholly owned by the government and operate under its supervision. Their funds are provided mainly from government sources.

Among them are the following:

- The Development Bank of Japan, whose purpose is to contribute to the economic development of Japan by extending long-term loans, mainly to primary and secondary sector industries;

- Japan Bank for International Cooperation, whose purpose is to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation;

- Japan Finance Corporation for Small Business, The Government Housing Loan Corporation and The Agriculture, Forestry and Fisheries Finance Corporation, the purpose of each of which is to supplement private financing in its relevant field of activity; and

- The Postal Service Agency, which was reorganized in April 2003 into Japan Post, a government-run public services corporation.

In April 2004, the Tokyo metropolitan government acquired the Japanese subsidiary of a foreign trust bank and relaunched it as New Bank Tokyo. Under the Tokyo metropolitan government's plan, New Bank Tokyo is expected to focus on loans and guarantees for small and medium-sized businesses, as well as tie-ups with various non-financial businesses. The new bank is scheduled to begin operations starting April 2005.

Supervision and Regulation

Japan

Supervision. As a result of the deregulation and structural reforms in the Japanese financial industry, Japanese financial institutions gained the opportunity to provide a wider range of financial products and options to their clients as discussed in "--Competition--Japan," while at the same time becoming subject to stricter control and supervision.

After several reorganizations of Japanese governmental agencies, the Financial Services Agency was established as an agency of the Cabinet Office in 1998. It

is responsible for supervising and inspecting financial institutions, making policy for the overall Japanese financial system and conducting insolvency proceedings with respect to financial institutions. The Bank of Japan, as the central bank for financial institutions, conducts "on-site inspections," in which its staff visits financial institutions and inspects the assets and risk management systems of those institutions.

The Banking Law. Among various acts that regulate financial institutions, the Banking Law and its subordinated orders and ordinances are regarded as the fundamental law for ordinary banks and other private financial institutions. The Banking Law addresses bank holding companies, capital adequacy, inspections and reporting, as well as the scope of business activities, disclosure, accounting, limitation on granting credit and standards for arm's length transactions.

Bank holding company regulations. In December 1997, the Anti-Monopoly Law was amended to generally permit the creation and existence of holding companies, which had been previously prohibited, except in circumstances in which the existence of a holding company would result in an excessive concentration of economic power. Additional legislative measures relating to holding companies of certain types of financial institutions, such as banks, trust banks and securities companies, were also proposed around this time and they ultimately became effective in March 1998. In connection with those legislative measures and amendments, in December 1997, the Fair Trade Commission amended the guidelines under the Anti-Monopoly Law to relax the standards for approval of a financial institution's stockholdings of more than 5% in another company, thereby permitting a financial institution to acquire interests in other financial institutions.

A bank holding company is prohibited from carrying on any business other than the management of its subsidiaries and other incidental businesses. A bank holding company may have any of the following as a subsidiary: a bank (including a trust bank and a long-term credit bank), a securities company, an insurance company or a foreign subsidiary that is engaged in the banking, securities or insurance business. In addition, a bank holding company may have as a subsidiary any company that is engaged in a business relating or incidental to the businesses of the companies mentioned above, such as a credit card company, a leasing company or an investment advisory company. Companies that cultivate new business fields may also become the subsidiary of a bank holding company.

Capital adequacy. The capital adequacy guidelines adopted by the Financial Services Agency that are applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach proposed by the Basel Committee on Banking Supervision of the Bank for International Settlements, and are intended to further strengthen the soundness and stability of Japanese banks.

In addition to credit risks, the guidelines regulate market risks. Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. The risks subject to these guidelines are:

.. the risks pertaining to interest rate-related instruments and equities in the trading book; and

.. foreign exchange risks and commodities risks of the bank.

Under the risk-based capital framework for credit risk purposes of the capital

adequacy guidelines, on-balance-sheet assets and off-balance-sheet exposures are assessed according to broad categories of relative risk, based primarily on the credit risk of the counterparty and country transfer risk. Five categories of risk weights (0%, 10%, 20%, 50%, 100%) are applied to the different types of balance sheet assets. Off-balance-sheet exposures are taken into account by applying different categories of "credit conversion factors" to arrive at credit-equivalent amounts, which are then weighted in the same manner as on-balance-sheet assets involving similar counterparties, except that the maximum risk weight is 50% for exposures relating to foreign exchange, interest rate and other derivative contracts.

With regard to capital, the capital adequacy guidelines are in accordance with the standards of the Bank for International Settlement for a target minimum standard ratio of capital to modified risk-weighted assets of 8.0%. Modified risk-weighted assets is the sum of risk-weighted assets compiled for credit risk purposes and market risks multiplied by 12.5. The capital adequacy guidelines place considerable emphasis on tangible common stockholders' equity as the core element of the capital base, with appropriate recognition of other components of capital.

Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I capital generally consists of stockholders' equity items, including common stock, preferred stock, capital surplus, retained earnings (which includes deferred tax assets) and minority interests, but recorded goodwill and other items, such as treasury stock, are deducted from Tier I capital. Tier II capital generally consists of:

.. general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets;

.. 45% of the unrealized gains on investment securities available for sale;

.. 45% of the land revaluation excess;

.. the balance of perpetual subordinated debt; and

.. the balance of subordinated term debt with an original maturity of over five years up to 50% of Tier I capital.

Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years and which is subject to a "lock-in" provision, which stipulates that neither interest nor principal may be paid if such payment would cause the bank's overall capital amount to be less than its minimum capital requirement. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

Several regulatory changes have been proposed with respect to the calculation of capital ratios. In particular, the Financial System Council of the Financial Services Agency is discussing the adoption of rules limiting the amount of deferred tax assets that may be included in the calculation of Tier I and/or total regulatory capital.

Inspection and reporting. By evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the Financial Services Agency monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The inspection of banks is performed pursuant to a Financial Inspection Manual published by the Financial Services Agency with a

view to emphasizing (i) each bank's self-assessment rather than the advice of the governmental authority and (ii) risk management made by each bank instead of a simple assessment of its assets. In recent years, the Financial Services Agency has continuously conducted special inspections of major banks in Japan regarding the grading and levels of write-offs and provisioning of some of their borrowers.

The Financial Services Agency, if necessary in order to secure the sound and appropriate operation of a bank's business, may request the submission of reports or materials from, or conduct an on-site inspection of, the bank and/or the bank holding company which holds the bank. If a bank's capital adequacy ratio falls below a specified level, the Financial Services Agency may request such bank to submit an improvement program and may restrict or suspend a bank's operation when it determines that such action is necessary.

Under the amendments to the Banking Law and its subordinated orders and ordinances, which became effective as of April 1, 2002, a person who desires to hold 20% or, in exceptional cases 15%, or more of the voting rights of a bank holding company or a bank is required to obtain prior approval from the Prime Minister. In addition, the Prime Minister may request the submission of reports or materials from, or conduct an inspection of, the person who holds 20% or 15%, as the case may be, or more of the voting rights of a bank holding company or a bank if necessary in order to ensure the appropriate business operation of such bank.

Furthermore, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or bank must report its ownership of voting rights to the Director of the relevant local finance bureau within five business days. In addition, any subsequent change of 1% or more in any previously reported holding or any change in material matters set out in reports previously filed must be reported, with some exceptions.

The Bank of Japan also conducts inspections of banks similar to those undertaken by the Financial Services Agency. The amended Bank of Japan Law provides that the Bank of Japan and financial institutions may agree as to the form of inspection to be conducted by the Bank of Japan.

Laws limiting shareholdings of banks. The provisions of the Anti-Monopoly Law that prohibit a bank from holding more than 5% of another company's voting rights do not apply to a bank holding company. However, the Banking Law prohibits a bank holding company and its subsidiaries from holding, on an aggregated basis, more than 15% of the voting rights of companies other than those which can legally become subsidiaries of bank holding companies.

In November 2001, a law which imposes a limitation on a bank's shareholding of up to the amount equivalent to its Tier I capital was enacted. This limitation was scheduled to become effective in September 2004, but the effective date has been postponed to September 2006. To assist banks in complying with this limitation while mitigating the adverse impact on the stock market, the Banks' Shareholdings Purchase Corporation was established through the contributions of 128 financial institutions to acquire stocks from banks at market prices. The lifespan of the Banks' Shareholdings Purchase Corporation was extended to March 31, 2017.

In October 2002, the Policy Board of the Bank of Japan issued guidelines for the Bank of Japan's purchase of listed stocks from commercial banks whose aggregate value of stockholdings exceed their Tier I capital. The Bank of Japan has adopted this policy for the purpose of assisting commercial banks in

reducing the size of their share portfolios without materially adversely affecting prevailing market prices. Under the guidelines, which were revised in March 2003, the Bank of Japan will acquire up to (Yen)3 trillion of stock from the portfolios of commercial banks at prevailing market prices and not sell the acquired securities until after September 2007.

The Securities and Exchange Law. Article 65 of the Securities and Exchange Law of Japan generally prohibits a bank from engaging in the securities business. Under this law, banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, may not engage in the securities business except for limited activities such as dealing in, underwriting and acting as broker for, Japanese governmental bonds, Japanese local government bonds and Japanese government guaranteed bonds, and selling Japanese and foreign investment trust certificates. A recent deregulation of the securities business has clarified that banks may engage in market-inducting businesses such as providing advice regarding public offerings or listings and that the Japanese government will allow banks with appropriate firewalls to provide securities intermediary services.

In general, the restrictions of the Securities and Exchange Law do not extend directly to the subsidiaries of banks located outside Japan, which engage in the securities business mainly in connection with capital-raising by Japanese companies outside of Japan.

Despite the general prohibition under Article 65, the Financial System Reform Act allows banks, trust banks, securities companies and insurance companies to engage in the businesses of other financial sectors through their subsidiaries in Japan.

Furthermore, banks' securities subsidiaries in Japan are now permitted to engage in the underwriting and brokerage of not only bonds, but also equity securities. This has enabled the securities subsidiaries of banks to offer various securities-related services to their customers.

In addition, Mitsubishi Tokyo Financial Group, Inc. and some of its subsidiaries are required to file with the Director of the Kanto Local Finance Bureau of the Ministry of Finance a securities report for each fiscal period supplemented by semi-annual and extraordinary reports pursuant to the Securities and Exchange Law.

Anti-money laundering laws. Under the Law for Punishment of Organized Crimes and Regulation of Criminal Profits, banks and other financial institutions are required to report to the competent minister, in the case of banks, the Commissioner of the Financial Services Agency, any assets which they receive while conducting their businesses that are suspected of being illicit profits from criminal activity.

Law concerning trust business conducted by financial institutions. Under the Trust Business Law, joint stock companies that are licensed by the Prime Minister as trust companies are allowed to conduct trust business. In addition, under the Law Concerning Concurrent Operation for Trust Business by Financial Institutions, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust business. Currently, the Japanese Diet is considering legislation proposing to expand the types of property that can be entrusted, to allow non-financial companies to conduct trust business and to allow a new type of registration to conduct only the administration type trust business.

Deposit insurance system and government investment in financial institutions. The Deposit Insurance Law is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation was established in accordance with that law.

City banks, including Bank of Tokyo-Mitsubishi, regional banks, trust banks, including Mitsubishi Trust Bank, long-term credit banks and various other credit institutions participate in the deposit insurance system on a compulsory basis.

Under the Deposit Insurance Law, the maximum amount of protection is (Yen)10 million per customer within one bank. However, the deposits in some accounts such as current accounts and ordinary accounts are fully protected without a maximum amount limitation until the end of March 2005. From April 1, 2005, all deposits will be subject to the (Yen)10 million cap, which is currently applicable only to time deposits, except for non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions. Currently, the Deposit Insurance Corporation charges insurance premiums equal to 0.09% on the deposits in current accounts, ordinary accounts and other similar accounts, which are fully protected as mentioned above, and premiums equal to 0.08% on the deposits in other accounts.

Since 1998, the failure of a number of large-scale financial institutions has led to the introduction of various measures with a view to stabilize Japan's financial system, including financial support from the national budget.

The Law Concerning Emergency Measures for Revitalization of Financial Function, or the Financial Revitalization Law, enacted in October 1998, provides for (i) temporary national control of a failed financial institution, (ii) the dispatch of a financial resolution administrator to the failed financial institution, and (iii) the establishment of a bridge bank which takes over the business of the failed financial institution on a temporary basis.

The Law Concerning Emergency Measures for Early Strengthening of Financial Function, or the Financial Function Early Strengthening Law, also enacted in October 1998, provided for government funds to be made available to financial institutions "prior to failure" as well as to financial institutions with "sound" management, to increase the capital ratio of such financial institutions and to strengthen their function as financial market intermediaries. The availability of new funds for this purpose ended on March 31, 2001. Capital injections made under the Financial Function Early Strengthening Law amounted to approximately (Yen)10 trillion.

Starting in April 2001, amendments to the Deposit Insurance Law established a new framework which enables the Deposit Insurance Corporation to inject capital into a bank if the Prime Minister recognizes it must do so to guard against financial systemic risk. In May 2003, Resona Bank, Ltd., a subsidiary bank of Resona Holdings, Inc., was recognized by the Prime Minister to be in need of a subscription of shares and other measures to expand its capital. Such recognition was made in accordance with Article 102, Section 1 of the Deposit Insurance Law. In response to such recognition, Resona Bank, Ltd. applied for and received an injection of public funds in the total amount of (Yen)1.96 trillion.

Personal Information Protection Law. With regards to protection of personal information, the new Personal Information Protection Law will become fully effective on April 1, 2005 and, accordingly, will be applicable to us. Among other matters, the law requires us to limit the use of personal information to its stated purpose and to properly manage the personal information in our possession, and forbids us from providing personal information to third parties without consent. If we violate certain provisions of the law, the Financial Services Agency may advise or order us to take proper action. Furthermore,

stricter rules than the standards stated in the law may be introduced for financial institutions in the near future.

United States

As a result of our operations in the United States, we are subject to extensive U.S. federal and state supervision and regulation.

Overall supervision and regulation. We are subject to supervision, regulation and examination with respect to our U.S. operations by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, pursuant to the U.S. Bank Holding Company Act of 1956, as amended, or the BHCA, and the International

Banking Act of 1978, as amended, or the IBA, because we are a bank holding company and a foreign banking organization, respectively, as defined pursuant to those statutes.

The Federal Reserve Board functions as our "umbrella" regulator under amendments to the BHCA effected by the Gramm-Leach-Bliley Act of 1999, which among other things:

.. prohibited further expansion of activities in which bank holding companies, acting directly or through nonbank subsidiaries, may engage;

.. authorized qualifying bank holding companies to opt to become "financial holding companies," and thereby acquire the authority to engage in an expanded list of activities, including merchant banking, insurance underwriting and a full range of securities activities; and

.. modified the role of the Federal Reserve Board by specifying new relationships between the Federal Reserve Board and the functional regulators of nonbank subsidiaries of both bank holding companies and financial holding companies.

We have not elected to become a financial holding company.

The BHCA generally prohibits each of a bank holding company and a foreign banking organization that maintains branches or agencies in the United States from, directly or indirectly, acquiring more than 5% of the voting shares of any company engaged in nonbanking activities in the United States unless the bank holding company or foreign banking organization has elected to become a financial holding company, as discussed above, or the Federal Reserve Board has determined, by order or regulation, that such activities are so closely related to banking as to be a proper incident thereto and has granted its approval to the bank holding company or foreign banking organization for such an acquisition. The BHCA also requires a bank holding company or foreign banking organization that maintains branches or agencies in the United States to obtain the prior approval of an appropriate federal banking authority before acquiring, directly or indirectly, the ownership of more than 5% of the voting shares or control of any U.S. bank or bank holding company. In addition, under the BHCA, a U.S. bank or a U.S. branch or agency of a foreign bank is prohibited from engaging in various tying arrangements involving it or its affiliates in connection with any extension of credit, sale or lease of any property or provision of any services.

U.S. branches and agencies of subsidiary Japanese banks. Under the authority of the IBA, our subsidiary banks in Japan, Bank of Tokyo-Mitsubishi and

Mitsubishi Trust Bank, operate seven branches, two agencies and four representative offices in the United States. Bank of Tokyo-Mitsubishi operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; Portland, Oregon; and Seattle, Washington; agencies in Atlanta, Georgia and Houston, Texas; and representative offices in Washington, D.C; Minneapolis, Minnesota; Dallas, Texas; and Jersey City, New Jersey. Mitsubishi Trust Bank operates a branch in New York, New York.

The IBA provides, among other things, that the Federal Reserve Board may examine U.S. branches and agencies of foreign banks, and that each such branch and agency shall be subject to on-site examination by the appropriate federal or state bank supervisor as frequently as would a U.S. bank. The IBA also provides that if the Federal Reserve Board determines that a foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or if there is reasonable cause to believe that the foreign bank or its affiliate has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States, the Federal Reserve Board may order the foreign bank to terminate activities conducted at a branch or agency in the United States.

U.S. branches and agencies of foreign banks must be licensed, and are also supervised and regulated, by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of national banks. All of the branches and agencies of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in the United States are

state-licensed. Under U.S. federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. U.S. federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

As an example of state supervision, the branches of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in New York are licensed by the New York State Superintendent of Banks, or the Superintendent, pursuant to the New York Banking Law. Under the New York Banking Law and the Superintendent's Regulations, each of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank must maintain with banks in the State of New York eligible assets as defined and in amounts determined by the Superintendent. These New York branches must also submit written reports concerning their assets and liabilities and other matters, to the extent required by the Superintendent, and are examined at periodic intervals by the New York State Banking Department. In addition, the Superintendent is authorized to take possession of the business and property of Bank of Tokyo-Mitsubishi or Mitsubishi Trust Bank located in New York whenever events specified in the New York Banking Law occur.

U.S. subsidiary banks. We indirectly own and control three U.S. banks:

- Bank of Tokyo-Mitsubishi Trust Company, New York, New York (through Bank of Tokyo-Mitsubishi, a registered bank holding company),
- Union Bank of California, N.A. (through Bank of Tokyo-Mitsubishi and its subsidiary, UnionBanCal Corporation, a registered bank holding company), and
- Mitsubishi Trust & Banking Corporation (U.S.A.), New York, New York

(through Mitsubishi Trust Bank, a registered bank holding company).

Bank of Tokyo-Mitsubishi Trust Company and Mitsubishi Trust & Banking Corporation (U.S.A.) are chartered by the State of New York and are subject to the supervision, examination and regulatory authority of the Superintendent pursuant to the New York Banking Law. Union Bank of California, N.A., is a national bank subject to the supervision, examination and regulatory authority of the OCC pursuant to the National Bank Act.

The Federal Deposit Insurance Corporation, or the FDIC, is the primary federal agency responsible for the supervision, examination and regulation of the two New York-chartered banks referred to above, and insures the deposits of all three U.S. subsidiary banks. In the event of the failure of an FDIC-insured bank, the FDIC is virtually certain to be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act.

An FDIC-insured institution that is affiliated with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its U.S. offices and other claims for administrative expenses and employee compensation are afforded priority over other general unsecured claims, including deposits in offices outside the United States, non-deposit claims in all offices and claims of a parent company. Moreover, under long-standing Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength for its subsidiary banks and to commit resources to support such banks.

Bank capital requirements and capital distributions. Our U.S. bank subsidiaries and UnionBanCal Corporation, our U.S. subsidiary bank holding company, are subject to applicable risk-based and leverage capital guidelines issued by U.S. regulators for banks and bank holding companies. All of our U.S. subsidiary banks are "well capitalized" under those guidelines as they apply to banks, and our U.S. subsidiary bank holding company exceeds all minimum regulatory capital requirements applicable to domestic bank holding companies. The

Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the federal banking agencies have established five capital tiers ranging from "well capitalized" to "critically undercapitalized" for insured depository institutions. As an institution's capital position deteriorates, the federal banking regulators may take progressively stronger actions, such as further restricting affiliate transactions, activities, asset growth or interest payments. In addition, FDICIA generally prohibits an insured depository institution from making capital distributions, including the payment of dividends, or the payment of any management fee to its holding company, if the insured depository institution would subsequently become undercapitalized.

The availability of dividends from insured depository institutions in the United States is limited by various other statutes and regulations. The National Bank Act and other federal laws prohibit the payment of dividends by a national bank under various circumstances and limit the amount a national bank can pay without the prior approval of the OCC. In addition, state-chartered banking institutions are subject to dividend limitations imposed by applicable federal and state laws.

Other regulated U.S. subsidiaries. Our nonbank subsidiaries that engage in securities or futures-related activities in the United States are regulated by appropriate functional regulators, such as the SEC, the Commodities Futures Trading Commission, any self-regulatory organizations of which they are members, and the appropriate state regulatory agencies. These nonbank subsidiaries are required to meet separate minimum capital standards as imposed by those regulatory authorities.

The Gramm-Leach-Bliley Act removed almost all of the pre-existing statutory barriers to affiliations between commercial banks and securities firms by repealing Sections 20 and 32 of the Glass-Steagall Act. At the same time, however, the so-called "push-out" provisions of the Gramm-Leach-Bliley Act narrowed the exclusion of banks, including the U.S. branches of foreign banks, from the definitions of "broker" and "dealer" under the Securities Exchange Act of 1934, potentially requiring all such banks to transfer some activities to affiliated broker-dealers. The SEC has issued rules regarding the push-out of "dealer" functions that became effective on September 30, 2003. On June 30, 2004, the SEC issued its proposed Regulation B, which would govern the push-out requirements for "broker" functions. The SEC has proposed to adopt Regulation B as a final rule in January 2005, with full compliance required approximately one year thereafter, although the final form of Regulation B and the date of its effectiveness are still subject to change. At this time, we do not believe that these push-out rules as adopted or as currently proposed will have a significant impact on our business as currently conducted in the United States.

USA PATRIOT Act. The USA PATRIOT Act of 2001 substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extraterritorial jurisdiction of the United States. Failure of a financial institution to comply with the USA PATRIOT Act's requirements could have serious legal and reputational consequences for the institution.

C. Organizational Structure

The following chart presents our basic corporate structure:

[FLOW CHART]

Mitsubishi Tokyo Financial Group, Inc. is the direct shareholder of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. The other subsidiaries and affiliated companies are held indirectly under these two subsidiaries. In April 2004, Mitsubishi Tokyo Financial Group, Inc. acquired shares representing 13% of the voting rights in ACOM and following this transaction, Mitsubishi Tokyo Financial Group, Inc. and its group companies excluding shares held in the trust account of Mitsubishi Trust Bank together hold shares representing 15% of the voting rights in ACOM.

For information on the proposed management integration between Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries and UFJ Holdings and its subsidiaries, see "Item 5.A. Operating and Financial Review and Prospects--Recent Developments--Basic Agreement Regarding the Management Integration of Mitsubishi Tokyo Financial Group and the UFJ Group."

Set forth below is a list of our significant subsidiaries at March 31, 2004.

Name	Country of incorporation	Proportion of ownership interest (%)	Proportion of voting interest (%)
The Bank of Tokyo-Mitsubishi, Ltd.	Japan	100.00	100.00
The Mitsubishi Trust and Banking Corporation	Japan	100.00	100.00
Mitsubishi Securities Co., Ltd.	Japan	58.38	58.12
DC Card Co., Ltd.	Japan	43.06	43.06
Tokyo-Mitsubishi Asset Management Ltd.	Japan	54.69	54.69
Mitsubishi Tokyo Wealth Management Securities, Ltd.	Japan	100.00	100.00
The Diamond Factors Limited.	Japan	76.94	76.94
The Diamond Home Credit Company Limited.	Japan	99.66	99.66
MTB Investment Technology Institute Co., Ltd.	Japan	100.00	100.00
Tokyo-Mitsubishi Cash One Ltd.	Japan	60.80	60.80
Defined Contribution Plan Consulting of Japan Co., Ltd.	Japan	70.00	70.00
BOT Lease Co., Ltd.	Japan	21.06	21.06
UnionBanCal Corporation	United States	62.20	62.20
Union Bank of California, N.A.	United States	62.20	62.20
Bank of Tokyo-Mitsubishi Trust Company	United States	100.00	100.00
Tokyo-Mitsubishi International plc/(1)/	United Kingdom	100.00	100.00
Mitsubishi Tokyo Wealth Management (Switzerland), Ltd.	Switzerland	100.00	100.00
Mitsubishi Trust International Limited	United Kingdom	100.00	100.00
Mitsubishi Trust & Banking Corporation (U.S.A.)	United States	100.00	100.00
Mitsubishi Trust Finance (Ireland) PLC	Ireland	100.00	100.00

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(1) On July 5, 2004, Tokyo-Mitsubishi International plc changed its name to "Mitsubishi Securities International plc."

D. Property, Plants and Equipment

The following table presents our premises and equipment at cost as of March 31, 2003 and 2004:

	At March 31	
	2003	2004
	(in millions)	
Land	(Yen) 193,278	(Yen) 171,379
Buildings	432,230	426,691
Equipment and furniture	489,307	443,251
Leasehold improvements	234,443	228,104
Construction in progress	20,134	4,136
Total	1,369,392	1,273,561
Less accumulated depreciation	725,598	693,488
Premises and equipment--net	(Yen) 643,794	(Yen) 580,073

Our head office is located at 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, and comprises 2,221.19 square meters of office space. At March 31, 2004, we conducted our banking operations either in our owned premises or in leased properties.

The following table presents the areas and book values of our material office and other properties at March 31, 2004:

	Area	Book value
	(in thousands of square feet)	(in millions)
Owned land.....	9,550	(Yen)171,379
Leased land.....	1,220	--
Owned buildings.	16,885	180,019
Leased buildings	11,446	--

Our owned land and buildings are primarily used by our branches. Most of the buildings and land owned by us are free from material encumbrances, except as described below.

In March 1999, Bank of Tokyo-Mitsubishi sold a 50% undivided interest in each of its head office land and building and its main office land and building and, at the same time, Bank of Tokyo-Mitsubishi entered into an agreement to lease back from the buyer the 50% undivided interests of the buildings sold for a period of seven years. We accounted for these transactions as financing arrangements.

During the fiscal year ended March 31, 2004, we invested approximately (Yen)52.0 billion in our subsidiaries primarily for office renovations and purchases of furniture and equipment.

Item 5. Operating and Financial Review and Prospects.

The following discussion and analysis should be read in conjunction with "Item 3.A. Key Information--Selected Financial Data" and our consolidated financial statements and related notes included elsewhere in this Annual Report.

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A. Operating Results

Executive Summary

Mitsubishi Tokyo Financial Group, Inc. is a holding company for Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. Through our subsidiaries and affiliated companies, we engage in a broad range of financial operations, including commercial banking, investment banking, asset management, trust banking and securities-related businesses, and provide related services to individual and corporate customers. The financial services industry and the global financial markets are influenced by many unpredictable factors, including economic conditions, monetary policy, international political events, liquidity in global markets and regulatory developments. Our operations are significantly affected by external factors, such as the level and volatility of interest rates, currency exchange rates, stock and real estate markets and other economic and market conditions. In addition, we hold a significant number of shares in some of our customers for strategic purposes, in particular to maintain long-term relationships. These shareholdings expose us to a risk of losses resulting from a decline in their market prices. Accordingly, our results of operations may vary significantly from period to period because of unpredictable events, including unexpected failures of large corporate borrowers, defaults in emerging markets and market volatility.

As the Japanese and overseas economies recovered generally in the fiscal year

ended March 31, 2004, we achieved (Yen)822.2 billion of net income, an increase of 304% compared to the previous fiscal year. Income from continuing operations before income tax expense and cumulative effect of a change in accounting principle for the fiscal year ended March 31, 2004 was (Yen)1,180.1 billion, an increase of 349% compared to the previous fiscal year. These improvements were mainly due to a reversal of allowance for credit losses and an increase in non-interest income.

The reversal of allowance for credit losses was mainly due to an improvement in our loan portfolio as evidenced by the reduction in our nonperforming and impaired loans. The increase in non-interest income was primarily attributable to an increase in net foreign exchange gains reflecting the appreciation of the yen against foreign currencies, and an increase in net investment securities gains mainly due to the improvement in the Japanese stock market. These increases were partially offset by a decrease in net trading account profits, primarily due to the rise in long-term interest rates in Japan.

These favorable changes were partially offset by a decrease in net interest income primarily due to a decline in the average interest rate spread.

Recent Developments

Basic Agreement Regarding the Management Integration of Mitsubishi Tokyo Financial Group and the UFJ Group

On August 12, 2004, Mitsubishi Tokyo Financial Group, Inc., UFJ Holdings, Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust Bank, UFJ Trust Bank Limited, Mitsubishi Securities, and UFJ Tsubasa Securities Co., Ltd., concluded a basic agreement with regard to the management integration of the holding companies, banks, trust banks and securities companies of the two groups. The management integration is subject to the approval of the shareholders and the relevant authorities. The integration of the two groups' holding companies, banks, trust banks and securities companies is targeted for completion by October 1, 2005.

The respective merger or other integration ratios for the holding companies, banks, trust banks and securities companies will be decided on the basis of forthcoming discussions considering rational assessments, including valuation reports by outside institutions. The organization, capital, specific integration procedures and other matters regarding the new holding company, new bank, new trust bank and new securities company will be decided on the basis of forthcoming discussions.

On September 17, 2004, Mitsubishi Tokyo Financial Group, Inc. purchased 3.5 billion class E preferred shares issued by UFJ Bank for (Yen)700 billion. This capital injection to UFJ Bank is part of our proposed management integration with the UFJ Group as outlined in the basic agreement between the two groups announced on August 12, 2004. The preferred shares issued by UFJ Bank are non-voting shares but convertible into voting preferred shares of UFJ Bank subject to restrictions set forth in the separate agreement described below. The investment is based on the assumption that the management integration of the two groups will proceed, and is intended to maximize the benefits of the management integration.

On September 10, 2004, Mitsubishi Tokyo Financial Group, Inc, UFJ Holdings and UFJ Bank also entered into a separate agreement setting forth, among other things, the following:

(1) Restrictions on our right to convert the non-voting preferred shares into voting preferred shares. We may not convert the non-voting preferred shares into voting preferred shares unless:

. any person other than us or UFJ Holdings becomes a shareholder of UFJ

Bank;

- any statutory merger, stock-for-stock exchange, stock transfer, corporate split or transfer of business between UFJ Holdings and any company other than us is approved by either UFJ Holdings' board of directors or at its general meeting of shareholders;

- UFJ Holdings' board of directors approve any issuance by UFJ Holdings of new shares of any class, stock acquisition rights or bonds with stock acquisition rights;

- (i) any person or company owns more than one-third of UFJ Holdings' equity securities, or (ii) a tender offer for UFJ Holdings' equity securities is commenced and it has been confirmed in a public notice that the offeror and related persons have become owners of more than 20% of UFJ Holdings' equity securities as a result of the tender offer; or

- the proposal for a statutory merger or other integration between us and UFJ Holdings is not approved at any meeting of the shareholders of any class of UFJ Holdings' shares (except if such proposal is also not approved at UFJ Holdings' general meeting of shareholders).

(2) Restrictions on our ability to transfer the preferred shares. Neither we nor UFJ Holdings may, without the other's consent, transfer, pledge or otherwise dispose of any shares it holds of UFJ Bank to or in favor of any third party.

(3) Our put option and UFJ Holdings' call option relating to the preferred shares. We will have the right to sell all of the preferred shares of UFJ Banks we hold:

- at a price equal to 130% of our acquisition price for the preferred shares if UFJ Holdings breaches certain of the representations and warranties, or any of its covenants or other obligations, under the September 10, 2004 basic agreement;

- at a price equal to our acquisition price for the preferred shares if any person or company owns more than one-third of UFJ Holdings' equity securities, or a tender offer commences and it has been confirmed in a public notice that the offeror and related persons have become owners of more than one-third of UFJ Holdings' equity securities as a result of the tender offer;

- at a price equal to our acquisition price for the preferred shares if the proposal for the integration between us and UFJ Holdings is not approved at two consecutive meetings of the holders of any class of UFJ Holdings' shares (except if such proposal is also not approved at UFJ Holdings' general meeting of shareholders); and

- at a price equal to 130% of our acquisition price for the preferred shares if the proposal submitted by the board of directors of UFJ Holdings in connection with the business integration between us and UFJ Holdings is not approved at UFJ Holdings' general meeting of shareholders to be held with respect to the fiscal year ending March 31, 2005, and either (i) the proposal is not approved at UFJ Holdings' general meeting of shareholders to be held on or after October 1, 2005, or (ii) a proposal submitted by any person other

than the board of directors of UFJ Holdings in connection with a business integration between UFJ Holdings and any company other than us is approved by UFJ Holdings' shareholders on or after October 1, 2005. In this circumstance, UFJ Holdings will have the right to purchase, or to cause a company designated by UFJ Holdings to purchase, all of the preferred shares of UFJ Bank held by us at a price equal to 130% of our acquisition price for the preferred shares.

See "Item 3.D. Risk Factors--Risks Related to Our Business--The proposed management integration with UFJ Holdings, Inc. and its subsidiaries and affiliates may be delayed, materially altered or abandoned. In addition, we may have difficulty integrating the operations of the UFJ Group."

Introduction of Our Integrated Business Groups

Effective April 1, 2004, we implemented a new integrated business group system, which combines the operations of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in the following three areas--Retail, Corporate, and Trust Assets. Although this new measure did not change the legal entities of Mitsubishi Tokyo Financial Group, Inc., Bank of Tokyo-Mitsubishi, and Mitsubishi Trust Bank, it is intended to create more synergies by making collaboration of our subsidiary banks more effective and efficient.

Since the introduction was made subsequent to March 31, 2004, we did not reclassify the business segment information for the fiscal years ended March 31, 2002, 2003 and 2004 to reflect this system in this Annual Report. For further information regarding our integrated business groups, see "Item 4.B. Business Overview."

Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM

ACOM, a consumer finance company, and we reached an agreement on March 23, 2004 with respect to a strategic business and capital alliance in retail financial services. The main elements of the business alliance will be undertaken by ACOM and our subsidiary, Bank of Tokyo-Mitsubishi. As part of the capital alliance, we acquired approximately 20.7 million ACOM shares for (Yen)137.9 billion in April 2004. As a consequence of this acquisition, we own shares representing 15% of the voting rights in ACOM.

Legal Proceedings for Local Taxes

In October 2003, a number of banks, including our subsidiary banks, entered into a settlement-at-court with the Tokyo Metropolitan Government and the Tokyo Governor and withdrew their complaints regarding the Tokyo Metropolitan Government's local tax on large banks. The settlement included (a) a revision of the applicable tax rate to 0.9% from 3.0%, effective retroactive to the date of the enactment of the local tax in the fiscal year ended March 31, 2001 and (b) a refund representing the difference between the amount already paid by the banks and the amount computed based on the newly enacted rate plus accrued interest. As a result of this settlement, our subsidiary banks received an aggregate tax refund plus accrued interest amounting to (Yen)42.0 billion.

Business Revitalization Plan of Mitsubishi Motors

On May 21, 2004, Mitsubishi Motors Corporation, or Mitsubishi Motors, announced a business revitalization plan under which it aims to achieve positive ordinary profit in the fiscal year ending March 2006 through sweeping business reforms.

At the request of Mitsubishi Motors, our bank subsidiaries Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, along with Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation and other corporations, decided to subscribe to a private placement of preferred shares with the view to helping Mitsubishi Motors achieve the goals of its business revitalization plan. As a result, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank purchased an aggregate of (Yen)50 billion of preferred shares and also conducted a debt-for-equity swap relating to (Yen)130 billion aggregate principal amount of loans previously extended to Mitsubishi Motors. For further information regarding our transactions with Mitsubishi Motors, see note 33 to our consolidated financial statements.

Notice Concerning Redemption of Our Class 1 Preferred Shares

On August 26, 2004, we announced that we will redeem 40,700 shares of the 81,400 issued shares of our class 1 preferred shares on a pro-rata basis at (Yen)3 million per share on October 1, 2004, pursuant to the terms and conditions for class 1 preferred shares set forth in our articles of incorporation.

Diamond Computer Service to Become Our Wholly Owned Subsidiary

On August 26, 2004, we announced that Diamond Computer Service, Co. Ltd. will become a wholly owned subsidiary of Mitsubishi Tokyo Financial Group, Inc. by December 22, 2004 through a share exchange. The transaction is subject to approval by Diamond Computer Service's shareholders and the relevant authorities.

Further Integration of Investment Banking and Securities Businesses

After the creation of Mitsubishi Securities, we have been consolidating most of our securities business and various areas of our investment banking business, such as mergers and acquisitions, derivatives, corporate advisory and securitization operations that were previously conducted through Bank of Tokyo-Mitsubishi's investment banking and asset management business unit, into Mitsubishi Securities.

To further integrate our investment banking and securities businesses, securities subsidiaries of Bank of Tokyo-Mitsubishi located in the United States, Hong Kong and Singapore were transferred to Mitsubishi Securities during the fiscal year ended March 31, 2004.

In addition, Tokyo-Mitsubishi International plc, a securities subsidiary of Bank of Tokyo-Mitsubishi located in the United Kingdom, was transferred to Mitsubishi Securities in July 2004 and subsequently renamed Mitsubishi Securities International plc.

Planned Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities

In June 2003, Bank of Tokyo-Mitsubishi submitted to the government an application to transfer the obligation to pay benefits for future employee services related to the substitutional portion in defined benefit pension plans established under the Japanese Welfare Pension Insurance Law, and the application was approved by the government in August 2003. Since the approval, Bank of Tokyo-Mitsubishi has been making pension insurance payments to the government and the government has assumed the benefit obligations arising from future employee services. To complete the entire separation process, in August

2004 Bank of Tokyo-Mitsubishi made another application for transfer to the government of the remaining substitutional portion related to the benefit obligation for past services. Upon the approval of the second application, Bank of Tokyo-Mitsubishi will transfer to a government agency its remaining substitutional obligation and related pension plan assets, which amount will be determined pursuant to a government formula, and in exchange will be released from paying the remaining substitutional portion of the benefits to its employees. For more detailed information of the transfer of pension fund liabilities, see "Item 5.B. Liquidity and Capital Resources--Financial Condition--Severance Indemnities and Pension Liabilities."

Dissolution of Mortgage Securities Subsidiary

In the fiscal year ended March 31, 2004, we completed the liquidation process of our domestic mortgage securities subsidiary, The Diamond Mortgage Co., Ltd. The dissolution was due to the adverse business environment for the domestic mortgage securities business. For further information regarding our discontinued operations, see note 2 to our consolidated financial statements.

Business Environment

We engage, through our subsidiaries and affiliated companies, in a wide range of financial operations, including commercial banking, investment banking, asset management, trust banking and securities-related businesses, and provide related services to individual and corporate customers around the world. Our results of operations and financial condition are exposed to changes in various external economic factors, including:

.. General economic conditions;

.. Interest rates;

.. Currency exchange rates; and

.. Stock and real estate prices.

Economic Environment in Japan

The Japanese economy, our primary operating area, recently entered into a recovery phase mainly due to an increase in exports and capital spending, as well as improvements in employment and wages. The real gross domestic product growth rate for the fiscal year ended March 31, 2004 was 3.2%, compared to a 1.2% decline for the fiscal year ended March 31, 2002 and a 1.1% increase for the fiscal year ended March 31, 2003.

With respect to interest rates, short-term interest rates remained at near zero percent as the Bank of Japan continued its policy to provide ample liquidity in the money markets. The yield on 10-year government bonds, used as a

benchmark for long-term interest rates, started in April 2003 at around 0.7%, reached a record low of around 0.5% in June 2003, and finished in March 2004 at around 1.4%. As of mid-September 2004, the yield was around 1.5%.

There was a significant recovery in stock prices, as exemplified by an approximately 47% increase in the Nikkei Stock Average, an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, from (Yen)7,972.71 at March 31, 2003 to (Yen)11,715.39 at March 31, 2004. In addition, the Tokyo Stock Price Index, or TOPIX, a composite index of all stocks listed on the First Section of

the Tokyo Stock Exchange, rose approximately 50% from 788.00 at March 31, 2003 to 1,179.23 at March 31, 2004. As of mid-September 2004, the Nikkei Stock Average was around (Yen)11,200, and the TOPIX was around 1,100.

In the foreign exchange markets, the value of the yen against the U.S. dollar generally appreciated during the fiscal year ended March 31, 2004. See "Item 3.A. Key Information--Selected Financial Data--Exchange Rate Information" for the historical noon buying rates of the Federal Reserve Bank of New York.

Land prices in Japan continued to decline during the fiscal year ended March 31, 2004, but the extent of the decline was smaller than the previous fiscal year. Based on the average government-set official land prices as of January 1, 2004, nationwide residential land prices declined 5.7%, compared to a 5.8% decline in the previous fiscal year, and nationwide land prices for commercial properties declined 7.4%, compared to a 8.0% decline in the previous fiscal year.

The number of corporate bankruptcy filings during the fiscal year ended March 31, 2004 was around 15,000, representing a 17% decline compared to the previous fiscal year.

International Financial Markets

In the beginning of the fiscal year ended March 31, 2004, the growth of overseas economies slowed down due to the war in Iraq and the outbreak of the SARS epidemic. However, overseas economies moved toward recovery later in the fiscal year, particularly in the United States where a large-scale tax reduction was implemented, and in the People's Republic of China where domestic demand continued to increase.

In the United States, the 10-year U.S. treasury note, a benchmark for long-term interest rates, started at around 3.9% in April 2003 and finished at around 3.8% in March 2004. As of mid-September 2004, the yield was around 4.2%. The U.S. Federal Reserve decreased the federal funds rate by 0.25% to 1.00% in June 2003. Subsequent to March 31, 2004, the Federal Reserve raised the federal funds rate by 0.25% respectively in June, August and September 2004 to 1.75%.

In the EU, the European Central Bank decreased its policy rate (refinancing rate) by 0.50% to 2.00% in June 2003.

Critical Accounting Estimates

Our financial statements are prepared in accordance with US GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects. The notes to our consolidated financial statements provide a summary of our significant accounting policies. The following is a summary of the critical accounting estimates.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of probable losses in our loan portfolio. The evaluation process involves a number of estimates and judgments. The allowance is based on two principles of accounting: (1) Statement of Financial Accounting Standards, or SFAS, No. 5, "Accounting for Contingencies,"

which requires that losses be accrued when they are probable of occurring and can be estimated; and (2) SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosures," which require that losses be accrued based on the difference between the present value of expected future cash flows discounted at the loan's effective interest rate, the fair value of collateral or the loan's value that is observable in the secondary market and the loan balance.

Our allowance for credit losses consists of an allocated allowance and an unallocated allowance. The allocated allowance comprises (a) the allowance for specifically identified problem loans, (b) the allowance for large groups of smaller balance homogeneous loans, (c) the allowance for loans exposed to specific country risk and (d) the formula allowance. Both the allowance for loans exposed to specific country risk and formula allowance are provided to performing loans, that are not subject to either the allowance for specifically identified problem loans or the allowance for large groups of smaller balance homogeneous loans. The allowance for loans exposed to specific country risk covers transfer risk which is not specifically covered by other types of allowance. Each of these components is determined based upon estimates that can and do change when actual events occur.

The allowance for specifically identified problem loans, which represent large-balance, non-homogeneous loans that have been individually determined to be impaired, uses various techniques to arrive at an estimate of loss. Historical loss information, discounted cash flows, fair value of collateral and secondary market information are all used to estimate those losses.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment, and the allowance for such loans is established through a process that begins with estimates of probable losses inherent in the portfolio, based upon various analyses, including historical delinquency and credit loss experience.

The allowance for loans exposed to specific country risk is based on an estimate of probable losses relating to our exposure to countries that we identify as having a high degree of transfer risk. We use a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, we consider the instability of foreign currency and difficulties regarding our borrowers' ability to service their debt.

The formula allowance uses a model based on historical losses as an indicator of future probable losses and as a result could differ from losses incurred in the future. However, since this history is updated with the most recent loss information, the differences that might otherwise occur are mitigated.

Our actual losses could be more or less than the estimates. The unallocated allowance captures losses that are attributable to various economic events, industry or geographic sectors whose impact on the portfolio have occurred but have yet to be recognized in the allocated allowance. For further information regarding our allowance for credit losses, see "Item 5.B. Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans."

In addition to the allowance for credit losses on our loan portfolio, we maintain an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, a variety of guarantees and standby letters of credit. Such allowance is included in other liabilities. With regard to the allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we use in determining the allowance for loan credit losses.

To the extent that actual losses differ from management's estimates, additional provisions for credit losses may be required that would adversely impact our operating results and financial condition in future periods.

Impairment of Investment Securities

US GAAP requires the recognition in earnings of an impairment loss on investment securities for a decline in fair value that is other than temporary. Determinations of whether a decline is other than temporary often involves estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. These judgments are based on subjective as well as objective factors. We conduct a review semi-annually to identify and evaluate investment securities that have indications of possible impairment.

Debt and marketable equity securities. In determining whether a decline in fair value is other than temporary for a particular security, indicators of an other-than-temporary decline for both debt and marketable equity securities

include the extent of decline in fair value below cost and the length of time that the decline has continued. If a decline in fair value is 20% or more or a decline in fair value has continued for six months or more, we generally deem such decline as an indicator of other-than-temporary decline. We also consider the financial condition and near-term prospects of issuers primarily based on the credit standing of the issuers as determined by our credit rating system.

Prior to the fiscal year ended March 31, 2004, we did not take the lengths of time that a decline continued into consideration with respect to debt securities because a substantial majority of our investments in debt securities are in high-grade fixed-rate bonds, including sovereign bonds such as U.S. treasury bonds and we generally had the intent to hold such investments for a period longer than that inherent in cyclical short-term market price fluctuations due to market interest rate and foreign exchange rate changes. However, in light of the recent decline in the bond market, which made it difficult for us to hold debt securities for a period longer than that necessary for recovery, during the fiscal year ended March 31, 2004, we determined that the length of period that a decline in fair value continued should be considered in identifying other-than temporary decline in fair value of debt securities. The aggregate amount of unrealized losses at March 31, 2004 that we determined to be temporary was (Yen)54,707 million.

The determination of other-than-temporary impairment for certain securities held by UnionBanCal Corporation, our U.S. subsidiary, which primarily consists of securities backed by the full faith and credit of the U.S. government and corporate asset-backed and debt securities, are made on the basis of a cash flow analysis of securities and/or the ability of UnionBanCal Corporation to hold such securities to maturity.
Non-marketable equity securities. We consider the credit standing of issuers and the extent of decline in net assets of issuers to determine whether the decline is other than temporary. When we determine that the decline is other than temporary, non-marketable equity securities are written down to our share of the amount of the issuer's net assets, which approximates fair value.

The markets for equity securities and debt securities are inherently volatile, and the values of both types of securities have fluctuated significantly in recent years. Accordingly, our assessment of potential impairment involves risks and uncertainties depending on the market condition. If we later conclude

that a decline is other than temporary, the impairment loss may significantly affect our operating results and financial condition in future periods.

Valuation of Deferred Tax Assets

A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of existing deductible temporary differences or carryforwards ultimately depends on the existence of sufficient taxable income in future periods.

In determining a valuation allowance, we perform a review of future taxable income (exclusive of reversing temporary differences and carryforwards) and future reversals of existing taxable temporary differences. Due to losses in recent years and continuing weak economic conditions, the determination of the valuation allowance involves difficult judgments to estimate future taxable income.

At March 31, 2004, we had operating loss carryforwards of (Yen)1,737.9 billion. Future realization of the tax benefit of the carryforwards or existing deductible temporary differences ultimately depends on the existence of sufficient taxable income in future periods. Based on our estimates of future taxable income, we recognized a valuation allowance for a portion of the operating loss carryforwards.

Because the establishment of the valuation allowance is an inherently uncertain process involving estimates, currently established allowance may not be sufficient. If the estimated allowance is not sufficient, we will incur

additional deferred tax expenses, which could materially affect our operating results and financial condition in future periods.

Accounting for Goodwill

US GAAP requires us to test goodwill for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit of our business, which is to be compared with the carrying amount of the unit, to identify potential impairment of goodwill. The fair value of a reporting unit is defined as the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. Since an observable quoted market price for units is not always available, the estimate of fair value is based on the best information available, including prices for comparable units and the results of using other valuation techniques including the present value technique, which requires an estimate of future cash flows and other assumptions. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss. This test requires comparison of the implied fair value of the unit's goodwill with the carrying amount of that goodwill. The estimate of the implied fair value of the reporting unit's goodwill requires us to allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including unrecognized intangible assets, if any, since the implied fair value is determined as the excess of the fair value of a reporting unit over the net amounts assigned to its assets and liabilities in the allocation. Accordingly, the second step of the impairment test also requires an estimate of the fair value of individual

assets and liabilities, including any unrecognized intangible assets that belong to that unit. At March 31, 2004, we had goodwill of (Yen)56,690 million.

Accrued Severance Indemnities and Pension Liabilities

We have defined benefit retirement plans, including lump-sum severance indemnities and pension plans, which cover substantially all of our employees. Severance indemnities and pension costs are calculated based upon a number of actuarial assumptions, including discount rates, expected long-term rates of return on our plan assets and rates of increase in future compensation levels. In accordance with US GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods, and affect our recognized net periodic pension costs and accrued severance indemnities and pension obligations in future periods. We had an unrecognized net actuarial loss for domestic severance indemnities and pension plans of (Yen)353.8 billion at March 31, 2004. Differences in actual experience or changes in assumptions may affect our financial condition and operating results in future periods.

The discount rates for the domestic plans are set to reflect the interest rates of high-quality fixed-rate instruments with maturities that correspond to the timing of future benefit payments.

In developing our assumptions for expected long-term rates of return, we refer to the historical average returns earned by the plan assets and the rates of return expected to be available for reinvestment of existing plan assets, which reflect recent changes in trends and economic conditions, including market price. We also evaluate input from our actuaries, including their reviews of asset class return expectations.

Valuation of Financial Instruments with No Available Market Prices

Some assets and liabilities, including available-for-sale securities, trading accounts and derivatives, are reflected at their estimated fair values in our financial statements. Fair values for the substantial majority of our portfolio of financial instruments with no available market prices are determined based upon externally verifiable model inputs and quoted prices. All financial models, which are used for independent risk monitoring, must be validated and periodically reviewed by qualified personnel independent of the area that created the model. The fair value of derivatives is determined based upon liquid market prices evidenced by exchange-traded prices, broker-dealer quotations or prices of other transactions with similarly rated counterparties. If available, quoted market prices provide the best indication of value. If quoted market prices are not available for fixed maturity securities and

derivatives, we discount expected cash flows using market interest rates commensurate with the credit quality and maturity of the investment. Alternatively, we may use matrix or model pricing to determine an appropriate fair value. In determining fair values, we consider various factors, including time value, volatility factors and underlying options, warrants and derivatives.

Accounting Changes

Variable Interest Entities--In January 2003, the Financial Accounting Standards Board, or the FASB, issued FASB Interpretation, or FIN, No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." FIN No. 46 addresses consolidation by business enterprises of variable interest entities, or VIEs. The consolidation requirements of FIN No. 46 applied immediately to VIEs created after January 31, 2003. The consolidation requirements applied to

older entities in the first fiscal year or interim period beginning after June 15, 2003.

In December 2003, the FASB issued FIN No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," or FIN No. 46R. FIN No. 46R modifies FIN No. 46 in certain respects including the scope exception, the definition of VIEs, and other factors that would affect the determination of VIEs and primary beneficiaries that consolidate VIEs. FIN No. 46R applies to VIEs created before February 1, 2003 no later than the end of the first reporting period that ends after March 15, 2004, and to all special purpose entities no later than the first reporting period that ends after December 15, 2003. Subsequent to the Issuance of FIN No. 46R, the SEC's Chief Accountant confirmed in a letter to the American Institute of Certified Public Accountants, or AICPA, dated March 3, 2004 that the SEC staff will not object to the conclusion that FIN No. 46R need not be applied at a date earlier than the original FIN 46 and that the reporting period in respect of which a foreign private issuer would be required to apply FIN No. 46R would depend on the entity's year-end and frequency of interim reporting. In accordance with the letter, we intend to adopt FIN No. 46R for the fiscal year ending March 31, 2005. See note 25 to our consolidated financial statements for further discussion on the VIEs in which we hold variable interests.

Accounting for Asset Retirement Obligation--Effective April 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses the financial accounting and reporting of obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to the legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset. A legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppel. The adoption of SFAS No. 143 did not have a material impact on our financial position or results of operations.

Certain Financial Instruments with Characteristics of both Liabilities and Equity--In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, which is our fiscal year ending March 31, 2005. On November 7, 2003, FASB Staff Position No. 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," delayed the effective date of certain provisions of SFAS No. 150 for certain mandatorily redeemable noncontrolling interests.

We are not a party to any financial instruments entered into or modified after May 31, 2003, to which SFAS No. 150 must be applied immediately, but we have not completed evaluating the impact of the adoption of SFAS No. 150 to other instruments. Accordingly, we cannot currently reasonably estimate the ultimate impact of SFAS No. 150 on our financial position or results of operations.

Disclosure about pension and other postretirement benefit--In December 2003,

the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106," or SFAS No. 132R, which replaces existing FASB disclosure requirements for pensions. SFAS No. 132R requires disclosure of more details about plan assets, benefit obligations, cash flows, benefit costs and other relevant information. SFAS No. 132R is generally effective for the fiscal years ended after December 15, 2003, and for interim periods beginning after December 15, 2003. See note 16 to our consolidated financial statements for the required disclosure.

Impairment of securities investments--In November 2003, the FASB Emerging Issues Task Force, or the EITF, reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," or EITF 03-1. EITF 03-1 requires certain additional quantitative and qualitative disclosures in addition to the disclosures already required by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The new disclosure requirements are applied to financial statements for the fiscal years ended after December 15, 2003. See note 4 to our consolidated financial statements for the required disclosure. In March 2004, the EITF also reached a consensus on additional accounting guidance for other-than-temporary impairments, which requires an evaluation and recognition of other-than-temporary impairment by a three-step impairment test. The guidance should be applied for reporting periods beginning after June 15, 2004. We have not completed the determination as to the effect of the guidance on our financial position or results of operations.

Guarantor's Accounting and Disclosure Requirements for Guarantees--Effective January 1, 2003, we adopted the initial recognition and measurement provisions of FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB interpretation No. 34," which requires that, for guarantees within the scope of FIN No. 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. The adoption of FIN No. 45 did not have a material impact on our financial position or results of operations.

Costs Associated with Exit or Disposal Activities--In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The adoption of SFAS No. 146 did not have a material impact on our financial position or results of operations.

Goodwill and Other Intangible Assets--Effective April 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill, formerly amortized over its useful life, no longer be amortized and be tested for impairment at least annually. Further, SFAS No. 142 requires that intangible assets that have finite useful lives will continue to be amortized over their useful lives while intangible assets with indefinite lives will no longer be amortized and are subject to impairment testing at least annually.

We performed the required transitional impairment tests of goodwill and intangible assets with indefinite lives upon adoption of SFAS No. 142. The initial adoption resulted in a cumulative adjustment charge to earnings of (Yen)532 million for the fiscal year ended March 31, 2003.

Derivative Instruments and Hedging Activities--In April 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities,"

as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires that all derivatives, whether designated as a hedge or not, be recorded on the balance sheet at fair value. SFAS No. 133 also requires that derivative instruments used to hedge be identified specifically to assets, liabilities, firm commitments or anticipated transactions and be expected to remain effective throughout the life of the hedge. Derivative instruments that do not qualify as either a fair value hedge or cash flow hedge

are valued at fair value and classified as trading account assets or liabilities with the resultant gain or loss recognized in current earnings. The cumulative effect of the change in accounting principle, net of tax, was to increase net income by (Yen)5,867 million and other changes in equity from nonowner sources by (Yen)1,257 million, respectively, for the fiscal year ended March 31, 2002.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, SFAS No. 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, (2) clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows, (3) amends the definition of underlyings, one of the components of the three characteristics of a derivative instrument, to include the occurrence or non-occurrence of a specified event such as a scheduled payment under a contract, and (4) amends certain other existing pronouncements, in particular, those related to the scope of instruments that are subject to the requirements of SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on our financial position or results of operations.

Recently Issued Accounting Pronouncements

Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities--In January 2003, the EITF reached a consensus on Issue No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities," or EITF 03-2, which was ratified by the FASB in February 2003. EITF 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of an employee pension fund and requires employers to account for the entire separation process of a substitutional portion from an entire plan upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. It also requires that the difference between the fair value of the obligation and the assets required to be transferred to the government, if any, should be accounted for as a subsidy from the government, separately from gain or loss on settlement of the substitutional portion of the obligation, upon completion of the transfer.

As noted in "--Recent Developments--Planned Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities," in June 2003, Bank of Tokyo-Mitsubishi submitted to the government an application to transfer the obligation to pay benefits for future employee service related to the substitutional portion and the application was approved in August 2003. To complete the entire separation process, in August 2004, Bank of Tokyo-Mitsubishi made another application for transfer to the government of the remaining substitutional portion, but the timing of the approval is not known

yet. Upon completion of the separation, the substitutional obligation and related plan assets will be transferred to a government agency, and Bank of Tokyo-Mitsubishi will be released from paying the substitutional portion of the benefits to its employees. The impact on our consolidated financial statements of the transfer accounted for in accordance with EITF 03-2 is not known and cannot be reasonably estimated until the completion of the transfer.

Loans and Debt Securities Acquired in a Transfer--In December 2003, the AICPA issued Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," or SOP 03-3, which supersedes AICPA Practice Bulletin 6, "Amortization of Discounts on Certain Acquired Loans" and addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities acquired in a transfer if those differences are attributable, at least, in part, to credit quality. SOP 03-3 limits accretable yield to the excess of the investor's estimate of undiscounted cash flows over the investor's initial investment in the loan and prohibits the recognition of the non-accretable difference. Under SOP 03-3, subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan's yield over its remaining life while any decreases in

cash flows expected to be collected should be recognized as impairments. SOP 03-3 also provides guidance with regard to presentation and disclosures.

SOP 03-3 is effective for loans acquired in the fiscal years beginning after December 15, 2004. We have not completed our assessment of the impact of SOP 03-3 on our financial position or results of operations.

Results of Operations

The following table sets forth a summary of our results of operations for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal years	
	2002	2
		(in b
Interest income	(Yen)2,013.8	(Yen)
Interest expense	938.2	
Net interest income	1,075.6	
Provision (credit) for credit losses	598.4	
Non-interest income	361.6	
Non-interest expense	1,161.3	
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(322.5)	
Income tax expense (benefit)	(98.9)	
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(223.6)	
Income (loss) from discontinued operations--net	1.2	

Cumulative effect of a change in accounting principle, net of tax.....	5.9	
Net income (loss).....	(Yen) (216.5)	(Yen)

We reported (Yen)822.2 billion of net income for the fiscal year ended March 31, 2004, compared to (Yen)203.3 billion of net income for the fiscal year ended March 31, 2003. Our basic earnings per common share (net income available to common shareholders) for the fiscal year ended March 31, 2004 was (Yen)128,231.00 compared to an earnings per share of (Yen)33,963.40 for the fiscal year ended March 31, 2003. Income from continuing operations before income tax expense and cumulative effect of a change in accounting principle for the fiscal year ended March 31, 2004 was (Yen)1,180.1 billion, compared with (Yen)262.9 billion for the fiscal year ended March 31, 2003. The changes in our operating results were primarily attributable to the following:

.. The reversal of allowance for credit losses of (Yen)114.1 billion was recorded for the fiscal year ended March 31, 2004, compared with provision for credit losses of (Yen)438.0 billion for the fiscal year ended March 31, 2003. The reversal of allowance for credit losses was due mainly to improvement of our loan portfolio as evidenced by the reduction in our nonperforming and impaired loans through various measures including the disposal of nonperforming loans, and improving credit status of borrowers in Japan in general as evidenced by the decreased number of bankruptcy filings during the fiscal year ended March 31, 2004.

.. Non-interest income increased (Yen)466.8 billion from (Yen)839.8 billion for the fiscal year ended March 31, 2003 to (Yen)1,306.6 billion for the fiscal year ended March 31, 2004. This increase was primarily attributable to an increase of (Yen)388.3 billion in net foreign exchange gains reflecting the appreciation of the yen against foreign currencies, and to net investment securities gains of (Yen)118.6 billion compared to net investment securities losses of (Yen)21.6 billion for the fiscal year ended March 31, 2003 mainly due to the improvement in the Japanese stock market. Refund of local taxes by the Tokyo Metropolitan Government also contributed to the

increase in non-interest income. These increases were partially offset by a decrease of (Yen)163.7 billion in net trading account profits, primarily due to the rise in long-term interest rates in Japan.

These favorable changes were partially offset by a decrease of (Yen)48.0 billion in net interest income due primarily to a decline in the average interest rate spread.

Net Interest Income

Net interest income is a function of:

.. the amount of interest-earning assets;

.. the so-called "spread," or the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities;

.. the general level of interest rates; and

.. the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Our net interest income for the fiscal years ended March 31, 2002, 2003 and 2004 were not materially affected by gains or losses resulting from derivative financial instruments used for hedging purposes.

The following is a summary of the interest rate spread for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal years ended March 31,					
	2002		2003		2004	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	(Yen)59,700.3	1.36%	(Yen)62,623.1	1.19%	(Yen) 67,541.7	1.06%
Foreign	25,362.6	4.73	23,641.9	3.55	23,325.8	3.03
Total	(Yen)85,062.9	2.37%	(Yen)86,265.0	1.83%	(Yen) 90,867.5	1.56%
Financed by:						
Interest-bearing funds:						
Domestic	(Yen)61,089.7	0.53%	(Yen)64,827.9	0.34%	(Yen) 70,151.1	0.31%
Foreign	17,593.5	3.50	14,830.5	2.13	14,823.9	1.41
Total	78,683.2	1.19	79,658.4	0.68	84,975.0	0.50
Non-interest-bearing funds	6,379.7	--	6,606.6	--	5,892.5	--
Total	(Yen)85,062.9	1.11%	(Yen)86,265.0	0.62%	(Yen) 90,867.5	0.46%
Spread on:						
Interest-bearing funds.		1.18%		1.15%		1.06%
Total funds		1.26%		1.21%		1.10%

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Net interest income for the fiscal year ended March 31, 2004 was (Yen)995.5 billion, a decrease of (Yen)48.0 billion, or 4.6%, from (Yen)1,043.5 billion for the fiscal year ended March 31, 2003. This decrease was due primarily to a decline in the average interest rate spread. In addition, a decrease in average foreign loans, which earn relatively higher yields, contributed to the decrease in net interest income.

The average interest rate spread decreased 9 basis points from 1.15% for the fiscal year ended March 31, 2003 to 1.06% for the fiscal year ended March 31, 2004. The average rate of both the foreign interest-earning assets and

foreign interest-bearing liabilities declined during the fiscal year ended March 31, 2004, primarily due to the decline in short-term interest rates in

most foreign markets. Since the average balance of foreign interest-earning assets for the fiscal year ended March 31, 2004 was about 1.6 times larger than the average balance of foreign interest-bearing liabilities for the same period, the decline in the average rate had a negative effect on our net interest income.

Net interest income as a percentage of average total interest-earning assets decreased 11 basis points from 1.21% for the fiscal year ended March 31, 2003 to 1.10% for the fiscal year ended March 31, 2004.

The increase in average interest-earning assets for the fiscal year ended March 31, 2004 was primarily attributable to increases in average trading account assets, average investment securities and average call loans, funds sold, and receivables under resale agreements and securities borrowing transactions, which yield relatively low rate of interest income. These increases were partially offset by decreases in average interest-earning deposits and average loans, which yield relatively high rate of interest income. The shift in investment from relatively high yielding assets to low yielding assets more than offset an increase in average interest-earning assets and had a negative impact on interest income.

The increase in average interest-bearing liabilities for the fiscal year ended March 31, 2004 primarily reflected an increase in average call money, funds purchased, and payables under repurchase agreements and securities lending transactions, average deposits and average other short-term borrowings and trading account liabilities.

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Net interest income for the fiscal year ended March 31, 2003 was (Yen)1,043.5 billion, a decrease of (Yen)32.1 billion, or 3.0%, from (Yen)1,075.6 billion for the fiscal year ended March 31, 2002. This decrease was due primarily to a decline in the average interest rate spread in the further declining interest rate environment. The decline in interest rate spread more than offset the impact of a net increase in average interest-earning assets.

The average interest rate spread decreased 3 basis points from 1.18% for the fiscal year ended March 31, 2002 to 1.15% for the fiscal year ended March 31, 2003. Net interest income as a percentage of average total interest-earning assets decreased 5 basis points from 1.26% for the fiscal year ended March 31, 2002 to 1.21% for the fiscal year ended March 31, 2003.

Average interest-earning assets for the fiscal year ended March 31, 2003 was (Yen)86,265.0 billion, an increase of (Yen)1,202.1 billion, or 1.4%, from (Yen)85,062.9 billion for the fiscal year ended March 31,2002. This increase was principally attributable to an increase of (Yen)2,689.7 billion in average investment securities, partially offset by decreases in average interest-earning deposits, average call loans, funds sold, and receivables under resale agreements and securities borrowing transactions. The increase in average investment securities was attributable primarily to increases in Japanese government and foreign bonds, including U.S. treasury bonds, and reflected few viable investment options due to the extremely low rates of return in Japan. The average of interest-bearing liabilities for the fiscal year ended March 31, 2003 was (Yen)79,658.4 billion, an increase of (Yen)975.2 billion, or 1.2%, from (Yen)78,683.2 billion for the fiscal year ended March 31, 2002. This increase was principally attributable to an increase in average domestic deposits, which was primarily comprised of average demand deposits, partly offset by a decrease in average debentures and a decrease in average short-term funds in money markets, such as call money and funds purchased, and payables under repurchase agreements.

Provision (Credit) for Credit Losses

Provision (credit) for credit losses are charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. For a description of the approach and methodology used to establish the allowance for credit losses, see "Item 5.B. Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans."

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

A reversal of allowance for credit losses of (Yen)114.1 billion was recorded for the fiscal year ended March 31, 2004, compared with a provision for credit losses of (Yen)438.0 billion for the fiscal year ended March 31, 2003. This change was due mainly to a decrease in our specific allowance as a result of our reduction of nonperforming loans and a decrease in our formula allowance reflecting a decline in loans classified as special mention or substandard. For a further discussion of the allowance for credit losses, see "Item 5.B. Liquidity and Capital Resources--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans."

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

The provision for credit losses for the fiscal year ended March 31, 2003 was (Yen)438.0 billion, representing a decrease of (Yen)160.4 billion from (Yen)598.4 billion for the fiscal year ended March 31, 2002. This decrease was attributable primarily to a decrease in the impairment allowance of (Yen)401.9 billion from (Yen)1,296.3 billion at March 31, 2002 to (Yen)894.4 billion at March 31, 2003, which reflected a decrease of (Yen)1,426.0 billion in impaired loans during the fiscal year ended March 31, 2003.

Non-Interest Income

The following table is a summary of our non-interest income for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal years ended March 31,		
	2002*	2003*	2004
	(in billions)		
Fees and commissions:			
Trust fees	(Yen) 123.6	(Yen)103.8	(Yen) 9
Fees on funds transfer and service charges for collections.	58.1	58.1	5
Fees and commissions on international business	53.5	54.5	5
Fees and commissions on credit card business	45.0	57.1	6
Service charges on deposits	29.8	34.6	3
Fees and commissions on securities business	52.7	68.0	9
Other fees and commissions	123.3	144.7	17
Total	486.0	520.8	57
Foreign exchange gains (losses)--net	(333.0)	25.6	41
Trading account profits--net	138.5	267.6	10
Investment securities gains (losses)--net	20.6	(21.6)	11

Refund of the local taxes by the Tokyo Metropolitan Government	--	--	4
Other non-interest income	49.5	47.4	5
Total non-interest income	(Yen) 361.6	(Yen)839.8	(Yen)1,30

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* Reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

Net foreign exchange gains (losses) primarily include net gains (losses) on currency derivative instruments entered into for trading purposes and transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies. The transaction gains (losses) on the translation into Japanese yen fluctuate from period to period depending upon the spot rates at the end of each fiscal year. This is primarily because the transaction gains (losses) on translation of securities available for sale, such as bonds denominated in foreign currencies, are not included in current earnings, but are reflected in other changes in equity from nonowner sources, while in principle all transaction gains (losses) on translation of monetary liabilities denominated in foreign currencies are included in current earnings.

Net trading account profits primarily include net gains (losses) on trading securities and interest rate derivative instruments entered into for trading purposes. Trading account assets or liabilities are carried at fair value and any changes in the value of trading account assets or liabilities, including interest rate derivatives, are recorded in net trading account profits. Derivative instruments for trading purposes also include those used as hedges of net exposures rather than for specifically identified assets or liabilities, which do not meet the specific criteria for hedge accounting.

Net investment securities gains (losses) primarily include net gains on sales of marketable securities, particularly marketable equity securities. In addition, impairment losses are recognized as an offset of net investment securities gains when management concludes that declines in fair value of investment securities are other than temporary.

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Non-interest income for the fiscal year ended March 31, 2004 was (Yen)1,306.6 billion, an increase of (Yen)466.8 billion, or 55.6%, from (Yen)839.8 billion for the fiscal year ended March 31, 2003. This increase was primarily attributable to an increase in net foreign exchange gains of (Yen)388.3 billion and an increase in net investment securities gains of (Yen)140.2 billion. These gains were partially offset by a decrease in net trading account profits of (Yen)163.7 billion.

Fees and commissions for the fiscal year ended March 31, 2004 increased (Yen)51.9 billion from the previous fiscal year. This increase primarily reflected an increase in fees and commissions on securities business, of which (Yen)26.5 billion was due to an increase in fees earned by Mitsubishi Securities. This increase was mainly because only seven months of fees and commissions generated by Mitsubishi Securities were recorded for the previous fiscal year, while its fees and commissions for twelve months were recorded for the fiscal year ended March 31, 2004. In addition, fees and commissions on securities business in Mitsubishi Securities increased for the fiscal year

ended March 31, 2004, primarily due to an increase in equity-related commissions, which was in line with increased trading volume of the Japanese stock markets in general during the same period. Other factors contributing to the increase in other fees and commissions included expanding fee businesses such as agency fees earned on the sale of annuities to individual customers at branches of our subsidiary banks which act as sales agents for insurance companies, and fees from investment banking activities in our subsidiary banks. These increases were partially offset by a decrease in trust fees of (Yen)13.8 billion, which resulted primarily due to a decrease in fee income earned on loan trust.

Net trading account profits for the fiscal year ended March 31, 2004 were (Yen)103.9 billion, a decrease of (Yen)163.7 billion, or 61.2%, from (Yen)267.6 billion for the fiscal year ended March 31, 2003. The net trading account profits for the fiscal years ended March 31, 2003 and 2004 consisted of the following:

	Fiscal yea
	2003
	(in bi
Net profits (losses) on derivative instruments, primarily interest-rate futures, swaps and options	(Yen)254.9
Net profits on trading securities	12.7
Net trading account profits	(Yen)267.6

Profits (losses) on derivative instruments were largely affected by the impact of the rise in Japanese long-term interest rates on interest rate swaps principally held for risk management purposes. Although such contracts were entered into for risk management purposes, a majority of them did not meet the conditions to qualify for hedge accounting under US GAAP and thus were accounted for as trading positions.

For the fiscal year ended March 31, 2004, we generally maintained net receive-fix and pay-variable positions in our interest rate swap portfolios for the purpose of managing interest rate risks on domestic deposits, and our

interest rate swap positions resulted in losses in value in a rising Japanese long-term interest rate environment during the fiscal year ended March 31, 2004. The decrease in net profits on derivative instruments of (Yen)256.9 billion was partially offset by an increase in net profits on trading securities of (Yen)93.2 billion, primarily reflecting improved performance of trading in debt and equity securities at Mitsubishi Securities supported by high interest rate volatility and improvements in the Japanese stock markets during the fiscal year ended March 31, 2004.

Net foreign exchange gains for the fiscal year ended March 31, 2004 were (Yen)413.9 billion, an increase of (Yen)388.3 billion from (Yen)25.6 billion for the fiscal year ended March 31, 2003. The increase in net foreign exchange gains primarily reflected an increase in transaction gains on translation of monetary liabilities denominated in foreign currencies due to the appreciation

of the yen. All transaction gains or losses on translation of monetary liabilities denominated in foreign currencies are included in current earnings. However, the transaction gains or losses on translation of securities available for sale, such as bonds denominated in foreign currencies, are not included in current earnings but are reflected in other changes in equity from nonowner sources.

Net investment securities gains for the fiscal year ended March 31, 2004 were (Yen)118.6 billion, an increase of (Yen)140.2 billion, from a loss of (Yen)21.6 billion for the fiscal year ended March 31, 2003. Major components of net investment securities gains for the fiscal years ended March 31, 2003 and 2004 are summarized below:

	Fiscal years ended March 31,	
	2003	2004
	(in billions)	
Net gains on sales of marketable equity securities.....	(Yen) 170.5	(Yen) 371.2
Impairment losses on marketable equity securities.....	(352.4)	(15.4)
Other--net, principally gains (losses) on debt securities	160.3	(237.2)
Net investment securities gains (losses).....	(Yen) (21.6)	(Yen) 118.6

The increase in net investment securities gains during the fiscal year ended March 31, 2004 reflected the improvement in the Japanese stock market, as net gains on sales of marketable equity securities increased and impairment losses on marketable equity securities decreased compared to the previous fiscal year. These gains were partially offset by losses on debt securities, which were mainly due to impairment losses on Japanese government bonds, reflecting the rise in long-term interest rates in Japan.

Non-interest income also increased due to the refund of the local taxes by the Tokyo Metropolitan Government of (Yen)42.0 billion in October 2003. For further information regarding this refund, see "--Recent Developments--Legal Proceedings for Local Taxes."

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Non-interest income for the fiscal year ended March 31, 2003 was (Yen)839.8 billion, an increase of (Yen)478.2 billion, or 132.2%, from (Yen)361.6 billion for the fiscal year ended March 31, 2002. This increase was attributable to an increase in fees and commissions of (Yen)34.8 billion, net foreign exchange gains of (Yen)25.6 billion compared to net foreign exchange losses of (Yen)333.0 billion for the fiscal year ended March 31, 2002, and an increase in net trading account profits of (Yen)129.1 billion.

Fees and commissions for the fiscal year ended March 31, 2003 were (Yen)520.8 billion, an increase of (Yen)34.8 billion, or 7.2%, from (Yen)486.0 billion for the fiscal year ended March 31, 2002. This increase primarily reflected an increase of (Yen)21.4 billion in other fees and commissions and an increase of (Yen)15.3 billion in fees and commissions on securities business. In other fees and commissions for the fiscal year ended March 31, 2003, (Yen)2.8 billion in fees and commissions were newly earned in connection with our insurance brokerage activities. An increase of (Yen)3.4 billion in fees and commissions at UnionBanCal Corporation also contributed to the increase in other fees and

commissions. Fees and commissions on securities business for the fiscal year ended March 31, 2003

included (Yen)19.4 billion of fees and commissions of Mitsubishi Securities, which became our consolidated subsidiary on September 1, 2002. These increases were partly offset by a decrease of (Yen)19.8 billion, or 16.0%, in trust fees. The decrease in trust fees primarily reflected a decrease in fee income for administration services as a result of the transfer of certain trust assets to The Master Trust Bank of Japan, Ltd., an equity investee, in May 2002.

Net trading account profits for the fiscal year ended March 31, 2003 were (Yen)267.6 billion, an increase of (Yen)129.1 billion, or 93.3%, from (Yen)138.5 billion for the fiscal year ended March 31, 2002. The net trading account profits for the fiscal years ended March 31, 2002 and 2003 consisted of the following:

	Fiscal years ended March	
	2002	2003
	(in billions)	
Net profits on derivative instruments, primarily interest-rate futures, swaps and options	(Yen)149.3	(Yen)254.9
Net profits (losses) on trading securities	(10.8)	12.7
Net trading account profits	(Yen)138.5	(Yen)267.6

The increase in net profits on derivative instruments was due primarily to an increase in net profits on interest rate swaps and interest rate options. In particular, in order to manage interest rate risks on domestic deposits, we had net receive-fix and pay-variable positions in our interest rate swap portfolios. These portfolios gained in value in a declining interest rate environment.

The net profits on trading securities for the fiscal year ended March 31, 2003 were (Yen)12.7 billion, compared to net losses of (Yen)10.8 billion for the fiscal year ended March 31, 2002. This improvement in trading securities transactions primarily reflected net profits on trading of foreign bonds.

Net foreign exchange gains for the fiscal year ended March 31, 2003 were (Yen)25.6 billion, compared to net foreign exchange losses of (Yen)333.0 billion for the fiscal year ended March 31, 2002. Transaction gains on translation of foreign currency long-term debt for the fiscal year ended March 31, 2003 reflected primarily the appreciation of the yen against the US dollar and other foreign currencies. We had net losses on foreign exchange contracts entered into for trading purposes for the fiscal year ended March 31, 2003 due to the unfavorable foreign exchange markets. Other foreign exchange net gains for the fiscal year ended March 31, 2003 reflected transaction gains on translation of foreign currency-denominated borrowings used to manage the foreign currency exposure of available-for-sale debt securities. This increase was due primarily to the appreciation of the yen against the US dollar and other foreign currencies while transaction losses on translation of foreign currency-denominated available-for-sale debt securities were recorded in other

changes in equity from nonowner sources.

Net investment securities losses for the fiscal year ended March 31, 2003 were (Yen)21.6 billion, compared to net gains of (Yen)20.6 billion for the fiscal year ended March 31, 2002. Major components of net investment securities gains (losses) for the fiscal years ended March 31, 2002 and 2003 are summarized below:

	Fiscal years ended March 31,	
	2002	2003
	(in billions)	
Net gains on sales of marketable equity securities	(Yen) 277.2	(Yen) 170.5
Impairment losses on marketable equity securities.	(281.0)	(352.4)
Other net gains.....	24.4	160.3
Net investment securities gains (losses).....	(Yen) 20.6	(Yen) (21.6)

Pursuant to the legislation forbidding banks, including our Japanese subsidiary banks, from holding stocks with aggregate market values less unrealized gains in excess of their Tier I capital after September 30, 2004, a date which

was later extended to September 30, 2006, we actively sold our marketable equity securities. The decrease in net gains on sales of marketable equity securities reflected further declining stock market prices during the fiscal year ended March 31, 2003. In addition to sales in the stock markets, in the fiscal year ended March 31, 2003, we sold marketable equity securities to the Bank's Shareholdings Purchase Corporation and the Bank of Japan and through exchange traded funds.

The increase in impairment losses on marketable equity securities for the fiscal year ended March 31, 2003 also reflected the continuing declines in stock prices in Japan. We have determined other-than-temporary declines in fair value of marketable equity securities primarily based on factors such as internal credit ratings, the extent of decline in market price and the length of time during which the decline has existed. Due to the change in the accounting estimate reflecting the long and sustained decline in the Japanese stock markets, we recognized additional impairment losses on investment securities amounting to (Yen)26.5 billion for the fiscal year ended March 31, 2003.

Other net gains primarily included net gains on sales of debt securities, including bonds. The increase in such gains resulted mainly from increased sales of foreign bonds. The market prices of foreign bonds generally rose as interest rates declined during the fiscal year ended March 31, 2003.

Other non-interest income decreased (Yen)2.1 billion, or 4.4%, from (Yen)49.5 billion for the fiscal year ended March 31, 2002 to (Yen)47.4 billion for the fiscal year ended March 31, 2003. Other non-interest income was primarily comprised of income from the lease of software, net gains on sales of various assets, including software and other dividend income. The decrease for the fiscal year ended March 31, 2003 reflected several small decreases in these

components.

Non-Interest Expense

The following table shows a summary of our non-interest expense for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal years ended March 31,		
	2002*	2003*	2004
	(in billions)		
Salaries and employee benefits	(Yen) 456.0	(Yen) 498.5	(Yen) 506.7
Occupancy expenses--net	134.7	121.0	120.5
Losses (gains) on other real estate owned	6.2	0.3	(0.6)
Goodwill amortization	7.9	--	--
Fees and commission expenses	72.2	77.2	80.3
Amortization of intangible assets	36.9	46.5	63.6
Insurance premiums, including deposit insurance	43.5	48.3	54.4
Minority interest in income of consolidated subsidiaries	21.5	2.9	42.4
Communications	21.3	22.0	27.6
Other non-interest expenses	361.1	365.7	341.2
Total non-interest expense	(Yen)1,161.3	(Yen)1,182.4	(Yen)1,236.1

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* Reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Non-interest expense for the fiscal year ended March 31, 2004 was (Yen)1,236.1 billion, an increase of (Yen)53.7 billion from the previous fiscal year. This increase was primarily attributable to an increase in minority interest in income of consolidated subsidiaries of (Yen)39.5 billion. The increases in salaries and employee benefits,

amortization of intangible assets and insurance premiums, including deposit insurance, also caused the increase in non-interest expense compared to the previous fiscal year.

Salaries and employee benefits increased primarily due to an increase of (Yen)14.4 billion in salaries and employee benefits in Mitsubishi Securities, as only seven months of salaries and employee benefits of Mitsubishi Securities were recorded for the previous fiscal year, while its salaries and employee benefits for twelve months were recorded for the fiscal year ended March 31, 2004.

Amortization of intangible assets increased primarily due to an increase in the capitalized cost of software as we continued to invest in new information systems, such as investment in the new IT system for Bank of Tokyo-Mitsubishi's foreign offices.

Insurance premiums including that for deposit insurance increased, reflecting an increase in our deposits.

Minority interest in income of consolidated subsidiaries increased (Yen)39.5 billion from (Yen)2.9 billion for the fiscal year ended March 31, 2003 to (Yen)42.4 billion for the fiscal year ended March 31, 2004. This increase was primarily attributable to the improvement in the results of operations at Mitsubishi Securities from a net loss for the fiscal year ended March 31, 2003 to positive net income for the fiscal year ended March 31, 2004. A significant recovery in the stock markets during the fiscal year ended March 31, 2004 contributed primarily to the improvement.

These increases were partially offset by a decrease in other non-interest expenses, which was partly due to the fact that other non-interest expenses for the previous fiscal year included a (Yen)22.5 billion loss resulting from the decrease in net assets in a subsidiary that was accounted for as having been sold in connection with the merger of the four securities companies to form Mitsubishi Securities on September 1, 2002.

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Non-interest expense for the fiscal year ended March 31, 2003 was (Yen)1,182.4 billion, an increase of (Yen)21.1 billion, or 1.8%, from (Yen)1,161.3 billion for the fiscal year ended March 31, 2002. This increase was due primarily to an increase of (Yen)42.5 billion in salaries and employee benefits, partially offset by a decrease of (Yen)13.7 billion in net occupancy expenses.

Salaries and employee benefits for the fiscal year ended March 31, 2003 were (Yen)498.5 billion, an increase of (Yen)42.5 billion, or 9.3%, from (Yen)456.0 billion for the fiscal year ended March 31, 2002. This increase primarily reflected an increase of (Yen)13.2 billion in net periodic pension costs and an increase of (Yen)24.0 billion of salaries and employee benefits of Mitsubishi Securities, which became our consolidated subsidiary on September 1, 2002 as a result of the merger of four securities companies. The increase in net periodic pension costs was due primarily to an increase of (Yen)11.8 billion in amortization of net actuarial loss. In accordance with SFAS No. 87, "Employers' Accounting for Pensions," the minimum amortization of actuarial loss was included as a component of net periodic pension costs for the fiscal years ended March 31, 2002 and 2003 as the unrealized net loss exceeded 10% of the projected benefit obligation. The net actuarial loss reflected the fact that the actual return on plan assets fell below the expected return on plan assets during recent fiscal years. Plan assets, which include pension funds managed by various life insurance companies, investment advisory companies and trust banks, consisted of interest-earning deposits at banks, Japanese government bonds, other debt securities and marketable equity securities issued by domestic and foreign entities. Pension assets managed by insurance companies are included in pooled investment portfolios. Expected rates of return on plan assets are reviewed annually and computed primarily based on the historical average of long-term returns on such assets. The continuously depressed Japanese economy has adversely affected domestic stock markets. As a result, with respect to our domestic subsidiaries' plans, the actual return on the plan assets was negative by (Yen)48.7 billion for the fiscal year ended March 31, 2002 and negative by (Yen)63.3 billion for the fiscal year ended March 31, 2003. We decreased the expected rate of return on plan assets from 4.45% for the fiscal year ended March 31, 2002 to 3.73% for the

fiscal year ended March 31, 2003. The increase in salaries and employee

benefits was partially offset by a decrease in salaries resulting from a reduction in the number of employees.

Net occupancy expenses for the fiscal year ended March 31, 2003 were (Yen)121.0 billion, a decrease of (Yen)13.7 billion, or 10.2%, from (Yen)134.7 billion for the fiscal year ended March 31, 2002. This decrease was due primarily to the reduction and consolidation of offices as a whole, while net occupancy expenses of Mitsubishi Securities contributed to an increase in net occupancy expenses.

Losses on other real estate owned for the fiscal year ended March 31, 2003 were (Yen)0.3 billion, a decrease of (Yen)5.9 billion, or 95.1%, from (Yen)6.2 billion for the fiscal year ended March 31, 2002. This decrease reflected a decrease in other real estate owned primarily through sales.

There was no goodwill amortization expense for the fiscal year ended March 31, 2003 as a result of the adoption of SFAS No. 142, which eliminated the amortization of goodwill, effective April 1, 2002.

Amortization of intangible assets for the fiscal year ended March 31, 2003 was (Yen)46.5 billion, an increase of (Yen)9.6 billion, or 25.9%, from (Yen)36.9 billion for the fiscal year ended March 31, 2002. This increase primarily reflected an increase in the capitalized cost of software as we continued to invest in new information systems.

Insurance premiums for the fiscal year ended March 31, 2003 were (Yen)48.3 billion, an increase of (Yen)4.8 billion, or 11.1%, from (Yen)43.5 billion for the fiscal year ended March 31, 2002. This increase primarily reflected an increase in domestic deposits.

Minority interest in income of consolidated subsidiaries for the fiscal year ended March 31, 2003 was (Yen)2.9 billion, a decrease of (Yen)18.6 billion, or 86.6%, from (Yen)21.5 billion for the fiscal year ended March 31, 2002. This decrease was primarily attributable to the net loss of Mitsubishi Securities that was newly recognized as a result of the merger in the fiscal year ended March 31, 2003.

Other non-interest expenses for the fiscal year ended March 31, 2003 were (Yen)365.7 billion, an increase of (Yen)4.6 billion, or 1.3%, from (Yen)361.1 billion for the fiscal year ended March 31, 2002. Major items included in the non-interest expenses for the fiscal year ended March 31, 2003 are a (Yen)22.5 billion loss which resulted from the decrease in net assets in Tokyo-Mitsubishi Securities, a subsidiary that was accounted for as having been sold in connection with the merger of the four securities companies to form Mitsubishi Securities on September 1, 2002, and the additional post-merger expense of (Yen)10.6 billion that was incurred in completing the merger. These increases were substantially offset by a decrease of (Yen)35.5 billion in the provision for allowance for off-balance-sheet credit instruments. The provision for allowance for off-balance-sheet credit instruments for the fiscal year ended March 31, 2002 included an allocated provision of (Yen)19.6 billion against loan commitments extended to WorldCom, Inc. We fulfilled the commitments extended to WorldCom, Inc. and recorded charge-offs for the fiscal year ended March 31, 2003.

Income Tax Expense (Benefit)

The following table presents a summary of our income tax expense (benefit):

	Fiscal years ended	
	2002	2003

		(in billion
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(Yen)(322.5)	(Yen)262
Income tax expense (benefit)	(Yen) (98.9)	(Yen) 69
Effective tax rate	30.7%	26
Normal effective statutory tax rate	38.0%	39

In September 2002, we applied to the tax authorities for approval to file our national income tax returns based on the consolidated corporate-tax system starting from the fiscal year ended March 31, 2003, and received the approval in March 2003. The consolidated corporate-tax system allows companies to base tax payments on the combined profits or losses of a parent company and its wholly-owned domestic subsidiaries, and requires us to pay, for the fiscal years ended March 31, 2003 and 2004, a surcharge tax of 2.0% of taxable income in addition to the national corporate income tax rate of 30.0% applied to separate tax returns filers. The increase in the normal effective statutory tax rate for the fiscal year ended March 31, 2003, resulted from this surcharge tax. This change in tax rate due to the adoption of the consolidated corporate-tax system resulted in a decrease of (Yen)37.4 billion in income tax expense for the fiscal year ended March 31, 2003 as a result of an increase in deferred tax assets.

In addition, under the new local tax laws which was enacted in March 2003 for the fiscal years beginning after March 31, 2004, new uniform local taxes become effective. These new rules introduce value-added taxes and replace part of the existing local taxes based on income. The new local taxes are computed based on three components: (a) amount of profit, (b) amount of value-added (total payroll, net interest paid or received, net rent paid and income before use of net operating losses) and (c) amount of total paid-in capital. The taxes are computed by adding together the totals of each of the three components which are calculated separately.

The enactment of the new uniform local tax laws mentioned above, which will supersede the current local taxes, including the local taxes levied by Tokyo Metropolitan Government, resulted in a decrease of (Yen)75.1 billion in income tax expense for the fiscal year ended March 31, 2003 through an increase in deferred tax assets.

Reconciling items between the combined normal effective statutory tax rates and the effective income tax rates for the fiscal years ended March 31, 2002, 2003 and 2004 are summarized as follows:

	Fiscal years ended March		
	2002*	2003	200
Combined normal effective statutory tax rate	38.0%	39.9%	39.9
Reconciling items:			
Nondeductible expenses	2.9	4.1	0.1
Goodwill amortization	0.7	--	--
Dividends from foreign subsidiaries	1.3	3.0	0.7
Foreign tax credit and payments	(1.9)	9.5	0.5

Higher (lower) tax rates applicable to income of subsidiaries.....	(2.7)	(0.4)	0.1
Foreign income exempted for income tax purpose.....	(0.5)	--	--
Foreign tax assessment (refund).....	(0.7)	(3.2)	(0.1
Minority interest.....	2.5	0.6	1.2
Change in valuation allowance.....	17.5	14.7	(12.7
Expiration of loss carryforwards of subsidiaries.....	0.1	3.3	--
Enacted change in tax rates.....	--	(28.5)	(0.3
Realization of previously unrecognized tax benefits of subsidiaries.	(11.3)	(15.7)	(1.2
Other--net.....	(0.6)	(0.9)	2.1
Effective income tax rate.....	30.7%	26.4%	30.3

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* In calculating the effective income tax rate for the fiscal year ended March 31, 2002, the reconciling items were subtracted from the combined normal effective statutory tax rate since a loss before income tax benefit was recorded in that fiscal year.

The effective income tax rate of 30.3% for the fiscal year ended March 31, 2004 was 9.6 percentage points lower than the normal effective statutory tax rate of 39.9%. This lower tax rate primarily reflected a decrease in the valuation allowance against deferred tax assets which accounted for 12.7 percentage points of the reconciliation

above. The valuation allowance decreased (Yen)184.9 billion from (Yen)318.7 billion at March 31, 2003, to (Yen)133.8 billion at March 31, 2004, as a result of achieving taxable income for the fiscal year in excess of the amount previously projected at March 31, 2003 and improved realizability of future tax benefits based on increased expected taxable income in future periods.

The effective income tax rate of 26.4% for the fiscal year ended March 31, 2003 was 13.5 percentage points lower than the normal effective statutory tax rate of 39.9%. This lower tax rate primarily reflected an enacted change in tax rate and realization of previously unrecognized tax benefits of subsidiaries. The enacted change in tax rate resulted from the adoption of the consolidated corporate-tax system and the new uniform local taxes, which introduced value-added taxes as discussed above, and accounted for 28.5% in the reconciliation above. The realization of previously unrecognized tax benefits of subsidiaries primarily related to the liquidation of several of our domestic subsidiaries with accumulated losses and accounted for 15.7% in the reconciliation above.

Business Segment Analysis

We measure the performance of each of our business segments primarily in terms of "operating profit" in accordance with the regulatory reporting requirements of the Financial Services Agency. Operating profit and other segment information are based on Japanese GAAP and are not consistent with our financial statements prepared on the basis of US GAAP. For example, operating profit under Japanese GAAP does not reflect items such as a part of provisions (credit) for credit losses (primarily an equivalent of formula allowance under US GAAP), foreign exchange gains (losses) and equity investment securities gains (losses).

Bank of Tokyo-Mitsubishi

Bank of Tokyo-Mitsubishi maintains its business unit system based on customer

and product segmentation. Bank of Tokyo-Mitsubishi's major business units during the fiscal year ended March 31, 2004 were:

.. retail banking, which provides banking products and services to individual customers in Japan;

.. commercial banking, which provides banking products and services to large corporations and some small and medium-sized companies;

.. global corporate banking, which provides banking services to large Japanese corporations and their overseas operations as well as non-Japanese corporations who do business on a global basis, excluding UNBC's customers;

.. investment banking and asset management, which provides advisory and other services related to securities services of the Bank of Tokyo-Mitsubishi, syndicated loans, project financing, derivatives and securitization and other investment banking activities, and which provides asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan;

.. UNBC, which includes Bank of Tokyo-Mitsubishi's subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A.;

.. operations services, which provides operations and settlement services to its other business units, including settlement and foreign exchange;

.. treasury, which conducts its asset and liability management and liquidity management; and

.. other, which consists of:

  . systems services, which is responsible for its computer systems;

  . eBusiness & IT Initiatives, which is responsible for developing information technology business opportunities;

  . the corporate center, which retains functions such as strategic planning, overall risk management, internal auditing and compliance; and

  . the elimination of duplicated amounts of net revenue among business segments.

Mitsubishi Securities is presented as a separate operating segment which includes Mitsubishi Securities and its subsidiaries that provide a broad range of retail and corporate securities services and products including retail brokerage, securitization, M&A advisory and derivatives. After the incorporation of Mitsubishi Securities on September 1, 2002, Bank of Tokyo-Mitsubishi transferred part of the investment banking business, including securitization, M&A advisory and derivatives, to Mitsubishi Securities from its investment banking business unit during the fiscal year ended March 31, 2003. This transfer of business did not significantly affect the results of the investment banking business unit or Mitsubishi Securities for the fiscal year ended March 31, 2003. We have not reclassified the business segment information for the fiscal year ended March 31, 2002 to reflect such transfers as such reclassification was not practicable.

In May 2003, Bank of Tokyo-Mitsubishi integrated the investment banking business unit and the asset management business unit into one business unit

under the name of investment banking and asset management business unit. Therefore, we have reclassified the business segment information for the fiscal years ended March 31, 2002 and 2003 based on the current fiscal year's presentation.

Between May and July 2003, Bank of Tokyo-Mitsubishi transferred its overseas securities subsidiaries, Tokyo-Mitsubishi International (Singapore) Ltd., Tokyo-Mitsubishi International (HK) Limited, and Tokyo-Mitsubishi Securities (USA), Inc. to Mitsubishi Securities. These overseas subsidiaries have since been renamed in line with the name of Mitsubishi Securities, the parent company, to Mitsubishi Securities (Singapore) Ltd., Mitsubishi Securities (HK) Limited, and Mitsubishi Securities (USA), Inc., respectively. We have reclassified the business segment information for the fiscal years ended March 31, 2002 and 2003 based on the current fiscal year's presentation.

In July 2004, Bank of Tokyo-Mitsubishi transferred its overseas securities subsidiary, Tokyo-Mitsubishi International plc, to Mitsubishi Securities. Tokyo-Mitsubishi International plc has since been renamed in line with the name of its new parent company to Mitsubishi Securities International plc. Since the transfer was made subsequent to March 31, 2004, we did not reclassify the business segment information for the fiscal years ended March 31, 2002, 2003 and 2004 to reflect this transfer.

In addition, Bank of Tokyo-Mitsubishi transferred its custody business, which had been included in the asset management business unit, to the operations services unit during the fiscal year ended March 31, 2004. Presentation for the fiscal years ended March 31, 2002 and 2003 has been reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

Furthermore, in the UNBC business unit, the measurement methods used to determine reported segment profit or loss was changed for the fiscal year ended March 31, 2004. Presentation for the fiscal years ended March 31, 2002 and 2003 has been reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

The following table shows the business segment information for the fiscal years ended March 31, 2002, 2003 and 2004:

	Retail Banking	Commercial Banking	Global Corporate Banking	Investment Banking and Asset Management	UNBC	Operations Services	T
					(in billions)		
Fiscal year ended March 31, 2002*:							
Net Revenue.....	(Yen)283.1	(Yen)297.7	(Yen)282.1	(Yen) 98.0	(Yen)289.5	(Yen)30.0	(Y
Operating expenses.....	230.6	126.8	134.6	55.4	157.3	22.9	
Operating profit (loss)..	(Yen) 52.5	(Yen)170.9	(Yen)147.5	(Yen) 42.6	(Yen)132.2	(Yen) 7.1	(Y
Fiscal year ended March 31, 2003*:							
Net Revenue.....	(Yen)280.0	(Yen)286.6	(Yen)262.9	(Yen) 82.6	(Yen)269.8	(Yen)25.6	(Y
Operating expenses.....	211.7	127.0	129.9	50.5	155.5	25.5	

Operating profit (loss)..	(Yen) 68.3	(Yen)159.6	(Yen)133.0	(Yen) 32.1	(Yen)114.3	(Yen) 0.1	(Y
Fiscal year ended March 31, 2004:							
Net Revenue.....	(Yen)302.9	(Yen)297.7	(Yen)246.4	(Yen)114.8	(Yen)253.5	(Yen)24.7	(Y
Operating expenses.....	204.1	119.6	120.2	44.3	150.9	23.4	
Operating profit (loss)..	(Yen) 98.8	(Yen)178.1	(Yen)126.2	(Yen) 70.5	(Yen)102.6	(Yen) 1.3	(Y

	Other	Total
Fiscal year ended March 31, 2002*:		
Net Revenue.....	(Yen) (58.3)	(Yen)1,446.1
Operating expenses.....	57.0	838.7
Operating profit (loss)..	(Yen)(115.3)	(Yen) 607.4
Fiscal year ended March 31, 2003*:		
Net Revenue.....	(Yen) (88.1)	(Yen)1,465.7
Operating expenses.....	80.0	876.4
Operating profit (loss)..	(Yen)(168.1)	(Yen) 589.3
Fiscal year ended March 31, 2004:		
Net Revenue.....	(Yen) (95.1)	(Yen)1,471.8
Operating expenses.....	40.7	841.5
Operating profit (loss)..	(Yen)(135.8)	(Yen) 630.3

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* The segment information for the fiscal years ended March 31, 2002 and 2003 was restated (except as stated above) to conform to the presentation for the fiscal year ended March 31, 2004.

When Bank of Tokyo-Mitsubishi's business units work together to provide services to customers, we assign the total amount of net revenue derived from those services to each participating business unit without dividing the net revenue. As a result, some items of net revenue are duplicated among the participating segments. The duplicated amounts are eliminated in the "Other" column. The following is a summary of the duplicated amounts between those segments. The total of such duplicated amounts is included in "Other" in the table above.

	Retail Banking	Commercial Banking	Global Corporate Banking	Total Amount Eliminated

	(in billions)			
Fiscal year ended March 31, 2002:				
Investment Banking and Asset Management.	(Yen) --	(Yen) 7.8	(Yen)30.2	(Yen)38.0
Fiscal year ended March 31, 2003:				
Investment Banking and Asset Management.	(Yen) --	(Yen) 9.7	(Yen)28.7	(Yen)38.4
Fiscal year ended March 31, 2004:				
Investment Banking and Asset Management.	(Yen)0.3	(Yen)25.3	(Yen)38.0	(Yen)63.6

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Total net revenue increased (Yen)6.1 billion, or 0.4%, from (Yen)1,465.7 billion for the fiscal year ended March 31, 2003 to (Yen)1,471.8 billion for the fiscal year ended March 31, 2004. Net revenue increased (Yen)82.1 billion at Mitsubishi Securities (reflecting, however, only seven months of fees and commissions in the prior year) and (Yen)32.2 billion in the investment banking and asset management business unit, while it decreased (Yen)101.5 billion in the treasury unit.

Total operating expenses decreased (Yen)34.9 billion, or 4.0%, from (Yen)876.4 billion for the fiscal year ended March 31, 2003 to (Yen)841.5 billion for the fiscal year ended March 31, 2004. This decrease was due mainly to a decrease of (Yen)39.3 billion in the "Other" column, which primarily reflected a decrease in the general provision for

credit losses of (Yen)49.7 billion. Credit losses are allocated to the corporate center rather than being reflected in each business segment. Operating expenses also decreased (Yen)9.7 billion in the global corporate banking unit. These decreases were partially offset by an increase of (Yen)42.4 billion in Mitsubishi Securities.

Net revenue of the retail banking business unit increased (Yen)22.9 billion, or 8.2%, from (Yen)280.0 billion for the fiscal year ended March 31, 2003 to (Yen)302.9 billion for the fiscal year ended March 31, 2004. This increase was largely due to an increase in fee income of (Yen) 11.2 billion, reflecting an increase of fee income on insurance products and the investment trust business.

Net revenue of the commercial banking business unit increased (Yen)11.1 billion, or 3.9%, from (Yen)286.6 billion for the fiscal year ended March 31, 2003 to (Yen)297.7 billion for the fiscal year ended March 31, 2004. This increase was due mainly to an increase of (Yen)13.6 billion in other income, which primarily reflected an increase in derivatives sales and currency options sales. This increase was partially offset by a decrease in net interest income of (Yen)5.0 billion, reflecting our continued effort to reduce problem loans.

Net revenue of the global corporate banking business unit decreased (Yen)16.5 billion, or 6.3%, from (Yen)262.9 billion for the fiscal year ended March 31, 2003 to (Yen)246.4 billion for the fiscal year ended March 31, 2004. This decrease was due mainly to the appreciation of the yen against the US dollar and Asian currencies during the fiscal year ended March 31, 2004 compared to that of the previous year.

Net revenue of the investment banking and asset management business unit increased (Yen)32.2 billion, or 38.9%, from (Yen)82.6 billion for the fiscal

year ended March 31, 2003 to (Yen)114.8 billion for the fiscal year ended March 31, 2004. This increase was largely due to an increase of (Yen)16.6 billion in other income, reflecting an increase in fees from sales of derivative products.

Net revenue of the UNBC business unit decreased (Yen)16.3 billion, or 6.0%, from (Yen)269.8 billion for the fiscal year ended March 31, 2003 to (Yen)253.5 billion for the fiscal year ended March 31, 2004. This decrease was due mainly to the appreciation of the yen against the US dollar at the end of UNBC's 2003 fiscal year compared to that of the previous year. In terms of the noon buying rate of the Federal Reserve Bank of New York, the value of the yen against the US dollar appreciated approximately 9.8%, from (Yen)118.75 on December 31, 2002 to (Yen)107.13 on December 31, 2003.

Net revenue of the operations services unit decreased (Yen)0.9 billion, or 3.6%, from (Yen)25.6 billion for the fiscal year ended March 31, 2003 to (Yen)24.7 billion for the fiscal year ended March 31, 2004, due mainly to a decline in revenue of our domestic subsidiaries.

Net revenue of the treasury unit decreased (Yen)101.5 billion, or 35.3%, from (Yen)287.8 billion for the fiscal year ended March 31, 2003 to (Yen)186.3 billion for the fiscal year ended March 31, 2004. In the previous fiscal year, the declining foreign currency interest rate environment was one of the primary reasons for the increase in net revenue from foreign currency bond trading and net interest income. In the fiscal year ended March 31, 2004, foreign currency interest rates generally remained stable, causing a decline in such net revenue compared to the previous fiscal year.

Net revenue of Mitsubishi Securities increased (Yen)82.1 billion, or 140.3%, from (Yen)58.5 billion for the fiscal year ended March 31, 2003 to (Yen)140.6 billion for the fiscal year ended March 31, 2004. This increase was mainly because only seven months of fees and commissions generated by KOKUSAI Securities Co., Ltd., one of the predecessors of Mitsubishi Securities, were recorded for the previous fiscal year, while its fees and commissions for twelve months were recorded for the fiscal year ended March 31, 2004. In addition, there was an increase in profits on trading of bonds and stocks and an increase in commissions and fees in stock brokerage.

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Total net revenue increased (Yen)19.6 billion, or 1.4%, from (Yen)1,446.1 billion for the fiscal year ended March 31, 2002 to (Yen)1,465.7 billion for the fiscal year ended March 31, 2003. This increase was due mainly to an increase of (Yen)80.7 billion in the treasury unit and an increase of (Yen)41.6 billion at Mitsubishi Securities, principally reflecting the merger that formed Mitsubishi Securities. This increase was partially offset by a decrease of (Yen)19.7 billion in the UNBC business unit.

Total operating expenses increased (Yen)37.7 billion, or 4.5%, from (Yen)838.7 billion for the fiscal year ended March 31, 2002 to (Yen)876.4 billion for the fiscal year ended March 31, 2003. This increase was due mainly to an increase of (Yen)43.9 billion in operating expenses for Mitsubishi Securities and an increase of (Yen)23.0 billion in operating expenses included in the "Other" column. The increase was partially offset by a decrease of (Yen)18.9 billion in the retail banking business unit.

Net revenue of the retail banking business unit decreased (Yen)3.1 billion, or 1.1%, from (Yen)283.1 billion for the fiscal year ended March 31, 2002 to (Yen)280.0 billion for the fiscal year ended March 31, 2003. This decrease was

mainly due to a decrease in net interest income of (Yen) 10.9 billion, reflecting a decline in interest margins due to declining interest rates in yen and foreign currencies. The decrease was partially offset by an increase in net fees of (Yen)6.1 billion, reflecting an increase in fee income on insurance products and domestic funds transfers.

Net revenue of the commercial banking business unit decreased (Yen)11.1 billion, or 3.7%, from (Yen)297.7 billion for the fiscal year ended March 31, 2002 to (Yen)286.6 billion for the fiscal year ended March 31, 2003. This decrease was mainly due to a decrease of (Yen)20.0 billion in net interest income, which primarily reflected a decrease in volume of commercial loans and a decrease in dividend income. The decrease in commercial loans was partly attributable to the disposal of problem loans. The decrease in Bank of Tokyo-Mitsubishi's dividend income reflected the reduction in its holdings of strategic equity investments. These decreases were partially offset by an increase in other income of (Yen)4.6 billion, reflecting an increase in income on derivative products.

Net revenue of the global corporate banking business unit decreased (Yen)19.2 billion, or 6.8%, from (Yen)282.1 billion for the fiscal year ended March 31, 2002 to (Yen)262.9 billion for the fiscal year ended March 31, 2003. This decrease was mainly due to a decrease of (Yen)11.1 billion in net interest income and a decrease in net revenue of subsidiaries of (Yen)10.1 billion. The decrease in net interest income reflected a decline in interest margins on loans and deposits in the declining interest rate environment in Japan and foreign countries and the decrease in net revenue of its subsidiaries reflected a decrease in interest income in our overseas subsidiaries in the declining interest rate environment.

Net revenue of the investment banking and asset management business unit decreased (Yen)15.4 billion, or 15.7%, from (Yen)98.0 billion for the fiscal year ended March 31, 2002 to (Yen)82.6 billion for the fiscal year ended March 31, 2003. This decrease was mainly due to a decrease of (Yen)10.1 billion in net revenue of its subsidiaries in the former investment banking business unit, reflecting depressed securities trading operations in its overseas subsidiaries. This decrease was also due to a decrease of (Yen)9.7 billion in other income of the former asset management business unit, which primarily reflected a decrease in gains on trust funds and investment trusts due to declining stock markets in Japan.

Net revenue of the UNBC business unit decreased (Yen)19.7 billion, or 6.8%, from (Yen)289.5 billion for the fiscal year ended March 31, 2002 to (Yen)269.8 billion for the fiscal year ended March 31, 2003. This decrease was largely due to the appreciation of the yen against the US dollar at the end of UNBC's 2002 fiscal year compared to that of the previous year.

Net revenue of the operations services unit decreased (Yen)4.4 billion, or 14.6%, from (Yen)30.0 billion for the fiscal year ended March 31, 2002 to (Yen)25.6 billion for the fiscal year ended March 31, 2003, mainly due to a decline in revenue of its domestic subsidiaries.

Net revenue of the treasury unit increased (Yen)80.7 billion, or 39.0%, from (Yen)207.1 billion for the fiscal year ended March 31, 2002 to (Yen)287.8 billion for the fiscal year ended March 31, 2003. This increase was mainly due to an increase in interest income and other income, which primarily reflected an increase in gains on investments in domestic and foreign bonds and an increase in gains on its foreign currency asset and liability management operations reflecting a decline in foreign currency interest rates.

Net revenue of Mitsubishi Securities increased (Yen)41.6 billion, or 245.8%, from (Yen)16.9 billion for the fiscal year ended March 31, 2002 to (Yen)58.5 billion for the fiscal year ended March 31, 2003. This increase was mainly due to the merger that formed Mitsubishi Securities on September 1, 2002. There was no revenue of KOKUSAI Securities Co., Ltd. recorded for the fiscal year ended March 31, 2002 because Bank of Tokyo-Mitsubishi accounted for its investment in this company under the equity method and did not consolidate it.

The increase in operating expenses in the "Other" column primarily reflected a significant decrease in the provision for credit losses. Credit losses are allocated to the corporate center rather than being reflected in each business segment.

Mitsubishi Trust Bank

Mitsubishi Trust Bank had the following business groups as of March 31, 2004:

.. trust-banking business, which provides retail banking and trust services, corporate financing services and stock transfer agency services;

.. trust assets business, which provides asset management and administration services;

.. real estate business, which provides brokerage, securitization, appraisal, advisory and other real estate services;

.. global markets business, which provides various financial operations including banking, money markets and capital markets operations, securities investments, custody operations and asset management; and

.. other, which consists of:

  . interest and dividends on certain investment securities held for relationship management; and

  . administrative divisions of the headquarters, such as personnel and planning.

Mitsubishi Trust Bank measures the financial performance of its subsidiaries based on ordinary profit or loss shown in their financial statements. Because of the limited significance of its subsidiary operations, Mitsubishi Trust Bank does not allocate the subsidiaries' financial performance to business groups, and manages them on an aggregate basis. The results of these subsidiaries are included in "Other."

In April 2004, Mitsubishi Trust Bank has upgraded the status of its stock transfer agency business from part of the trust-banking business group to a newly established stock transfer agency business group. Since this change was made subsequent to March 31, 2004, we did not reclassify the business segment information for the fiscal years ended March 31, 2002, 2003 and 2004 to reflect this change.

The following table shows the business segment information for the fiscal years ended March 31, 2002, 2003 and 2004:

	Trust-Banking	Trust Assets	Real Estate	Global Markets	Other	Total
	(in billions)					
Fiscal year ended March 31, 2002:						
Net revenue	(Yen)116.4	(Yen)54.3	(Yen)11.7	(Yen)105.9	(Yen)27.7	(Yen)316.0
Operating expenses	69.1	33.2	8.1	17.9	31.5	159.8
Subsidiaries	--	--	--	--	(0.3)	(0.3
Operating profit (loss)	(Yen) 47.3	(Yen)21.1	(Yen) 3.6	(Yen) 88.0	(Yen)(4.1)	(Yen)155.9
Fiscal year ended March 31, 2003:						
Net revenue	(Yen)120.1	(Yen)38.0	(Yen)16.7	(Yen)137.2	(Yen)22.6	(Yen)334.6
Operating expenses	73.4	28.0	9.7	17.6	27.5	156.2
Subsidiaries	--	--	--	--	4.8	4.8
Operating profit (loss)	(Yen) 46.7	(Yen)10.0	(Yen) 7.0	(Yen)119.6	(Yen)(0.1)	(Yen)183.2
Fiscal year ended March 31, 2004:						
Net revenue	(Yen)124.9	(Yen)38.0	(Yen)16.2	(Yen)145.7	(Yen)14.3	(Yen)339.1
Operating expenses	71.1	28.1	9.5	15.8	26.5	151.0
Subsidiaries	--	--	--	--	5.9	5.9
Operating profit (loss)	(Yen) 53.8	(Yen) 9.9	(Yen) 6.7	(Yen)129.9	(Yen)(6.3)	(Yen)194.0

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Total net revenue increased (Yen)4.5 billion, or 1.3%, from (Yen)334.6 billion for the fiscal year ended March 31, 2003 to (Yen)339.1 billion for the fiscal year ended March 31, 2004. This increase primarily reflected a (Yen)4.8 billion increase in the trust-banking business group and a (Yen)8.5 billion increase in the global markets business group. These increases were partially offset by a decrease of (Yen)8.3 billion in "Other."

Net revenue of the trust-banking business group increased (Yen)4.8 billion, or 4.0%, from (Yen)120.1 billion for the fiscal year ended March 31, 2003 to (Yen)124.9 billion for the fiscal year ended March 31, 2004. This increase was due to an increase of (Yen)8.0 billion in other fees. This increase was partially offset by a decrease of (Yen)2.8 billion in trust fees earned with respect to jointly operated designated money in trusts, principally resulting from a decrease in principal of loan trusts. The increase in other fee income was mainly due to an increase in fees and commissions obtained from the sales of investment trusts and variable annuities.

Net revenue of the trust assets business group for the fiscal year ended March 31, 2004 was mostly unchanged from the fiscal year ended March 31, 2003. Total fees and commissions slightly decreased in the fiscal year ended March 31, 2004, as the decrease in securities related fees was slightly larger than the increase in pension related fees.

Net revenue of the real estate business group decreased (Yen)0.5 billion, or 2.9%, from (Yen)16.7 billion for the fiscal year ended March 31, 2003 to (Yen)16.2 billion for the fiscal year ended March 31, 2004. This decrease was mainly due to a decrease in the real estate brokerage fees.

Net revenue of the global markets business group increased (Yen)8.5 billion, or 6.2%, from (Yen)137.2 billion for the fiscal year ended March 31, 2003 to (Yen)145.7 billion for the fiscal year ended March 31, 2004. This increase was mainly due to an increase in net interest income, resulting from a decrease in

funding costs. On the other hand, loan trust account fees decreased because of lower securities balances held in trust accounts.

Net revenue of "Other" decreased (Yen)8.3 billion, or 36.5%, from (Yen)22.6 billion for the fiscal year ended March 31, 2003 to (Yen)14.3 billion for the fiscal year ended March 31, 2004. This decrease was mainly due to a reduction in the volume of our investment securities.

Total operating expenses decreased (Yen)5.2 billion, or 3.3%, from (Yen)156.2 billion for the fiscal year ended March 31, 2003 to (Yen)151.0 billion for the fiscal year ended March 31, 2004. This decrease was due to a decrease of (Yen)2.3 billion in the trust-banking business group and a decrease of (Yen)1.8 billion in the global markets business group. The decrease in the trust-banking business group was attributable to a decrease in personnel and other expenses.

The operating profit of subsidiaries on a combined basis increased (Yen)1.1 billion, or 25.2%, from (Yen)4.8 billion for the fiscal year ended March 31, 2003 to (Yen)5.9 billion for the fiscal year ended March 31, 2004. This increase reflected a decrease in the general provision for credit losses. As a result, total operating profit for the fiscal year ended March 31, 2004 amounted to (Yen)194.0 billion, an increase of (Yen)10.8 billion, or 5.9%, from (Yen)183.2 billion for the fiscal year ended March 31, 2003.

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Total net revenue increased (Yen)18.6 billion, or 5.9%, from (Yen)316.0 billion for the fiscal year ended March 31, 2002 to (Yen)334.6 billion for the fiscal year ended March 31, 2003. This increase primarily reflected a (Yen)5.0 billion increase in the real estate business group and a (Yen)31.3 billion increase in the global markets business group. These increases were partially offset by a decrease of (Yen)16.3 billion in the trust assets business group.

Net revenue of the trust-banking business group increased (Yen)3.7 billion, or 3.2%, from (Yen)116.4 billion for the fiscal year ended March 31, 2002 to (Yen)120.1 billion for the fiscal year ended March 31, 2003. This increase was due to an increase of (Yen)6.3 billion in net interest income and an increase of (Yen)3.7 billion in other fee income. These increases were partially offset by a decrease of (Yen)6.2 billion in trust fees earned with respect to jointly operated designated money in trusts, principally resulting from a decrease in principal of loan trusts. The increase in net interest income was mainly attributable to an improvement in interest margin. The increase in other fee income was due to an increase in fees and commissions obtained for sales of investment trusts and variable annuities.

Net revenue of the trust assets business group decreased (Yen)16.3 billion, or 30.1%, from (Yen)54.3 billion for the fiscal year ended March 31, 2002 to (Yen)38.0 billion for the fiscal year ended March 31, 2003. This decrease was mainly due to a decrease in fee income for asset administration services as a result of certain trust assets transferred to Master Trust Bank of Japan Ltd., an equity investee of Mitsubishi Trust Bank.

Net revenue of the real estate business group increased (Yen)5.0 billion, or 43.1%, from (Yen)11.7 billion for the fiscal year ended March 31, 2002 to (Yen)16.7 billion for the fiscal year ended March 31, 2003. This increase was mainly due to an increase in real estate brokerage commissions.

Net revenue of the global markets business group increased (Yen)31.3 billion, or 29.6%, from (Yen)105.9 billion for the fiscal year ended March 31, 2002 to

(Yen)137.2 billion for the fiscal year ended March 31, 2003. This increase was mainly due to an increase in net interest income resulting from an improvement in interest margin and an increase in debt securities, and an increase in other income resulting from an increase in the profit on sales of Japanese government bonds and other debt securities.

Net revenue of "Other" decreased (Yen)5.1 billion, or 18.6%, from (Yen)27.7 billion for the fiscal year ended March 31, 2002 to (Yen)22.6 billion for the fiscal year ended March 31, 2003. This decrease was mainly due to a decrease in dividend income resulting from a reduction in certain investment securities held for relationship management.

Total operating expenses decreased (Yen)3.6 billion, or 2.2%, from (Yen)159.8 billion for the fiscal year ended March 31, 2002 to (Yen)156.2 billion for the fiscal year ended March 31, 2003. This decrease was primarily due to a decrease of (Yen)5.2 billion in the trust assets business group. The decrease was attributable to a decrease in salaries and system

maintenance cost for asset administration services as a result of certain trust assets transferred to the Master Trust Bank of Japan Ltd.

The operating profit of subsidiaries on a combined basis increased (Yen)5.1 billion, from an operating loss of (Yen)0.3 billion for the fiscal year ended March 31, 2002 to an operating profit of (Yen)4.8 billion for the fiscal year ended March 31, 2003. The profit for the fiscal year ended March 31, 2003 was mainly due to a decrease in credit costs, which had increased in the fiscal year ended March 31, 2002.

As a result, total operating profit for the fiscal year ended March 31, 2003 amounted to (Yen)183.2 billion, an increase of (Yen)27.3 billion, or 17.4%, from (Yen)155.9 billion for the fiscal year ended March 31, 2002.

Geographic Segment Analysis

The following table sets forth our total revenue, income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle and net income (loss) on a geographic basis, based principally on the domicile of activities for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal years e	
	2002	20
		(in bil
Total revenue (interest income and non-interest income):		
Domestic	(Yen)1,222.1	(Yen)1
Foreign:		
United States	541.5	
Europe	243.9	
Asia/Oceania excluding Japan	239.0	
Other areas*	129.0	
Total foreign	1,153.4	1

Total	(Yen)2,375.5	(Yen)2
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle:		
Domestic	(Yen) (385.4)	(Yen)
Foreign:		
United States	(31.4)	
Europe	8.5	
Asia/Oceania excluding Japan	44.8	
Other areas*	41.0	
Total foreign	62.9	
Total	(Yen) (322.5)	(Yen)
Net income (loss):		
Domestic	(Yen) (236.5)	(Yen)
Foreign:		
United States	(57.0)	
Europe	4.1	
Asia/Oceania excluding Japan	35.0	
Other areas*	37.9	
Total foreign	20.0	
Total	(Yen) (216.5)	(Yen)

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* Other areas primarily include Canada, Latin America and the Caribbean.

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Domestic net income for the fiscal year ended March 31, 2004 was (Yen)463.4 billion, compared to a (Yen)70.6 billion loss for the fiscal year ended March 31, 2003. This improvement primarily reflected the reversal of allowance for credit losses and the gains in investment securities due to the improvement in domestic stock prices.

Foreign net income for the fiscal year ended March 31, 2004 was (Yen)358.8 billion, compared to (Yen)273.9 billion for the fiscal year ended March 31, 2003. This increase primarily reflected the foreign exchange gains due to the appreciation of the Japanese yen against the US dollar and the reversal of allowance for credit losses.

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Domestic total revenue increased (Yen)64.3 billion, or 5.3 %, from (Yen)1,222.1 billion for the fiscal year ended March 31, 2002 to (Yen)1,286.4 billion for the fiscal year ended March 31, 2003. This increase primarily reflected an increase in net trading account profits. The increase was partially offset by a decrease in interest income.

Foreign total revenue decreased (Yen)17.2 billion, or 1.5%, from (Yen)1,153.4 billion for the fiscal year ended March 31, 2002 to (Yen)1,136.2 billion for

the fiscal year ended March 31, 2003. This decrease primarily reflected a decrease in interest income. The decrease was partially offset by increases in net foreign exchange gains and net investment securities gains.

Domestic loss from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle for the fiscal year ended March 31, 2003 was (Yen)76.1 billion, compared to a (Yen)385.4 billion loss for the fiscal year ended March 31, 2002. This improvement primarily reflected a decrease in the provision for credit losses and increases in net trading account profits.

Foreign income from continuing operations before income tax expense and cumulative effect of a change in accounting principle increased (Yen)276.1 billion from (Yen)62.9 billion for the fiscal year ended March 31, 2002 to (Yen)339.0 billion for the fiscal year ended March 31, 2003. This increase primarily reflected increases in net investment securities gains and net foreign exchange gains. This increase was partially offset by an increase in the provision for credit losses.

Effect of the Change in Exchange Rates on Foreign Currency Translation

The average exchange rate for the fiscal year ended March 31, 2004 was (Yen)113.07 per $1.00, compared to the prior fiscal year's average exchange rate of (Yen)121.94 per $1.00. The average exchange rate for the conversion of the US dollar financial statements of some of our foreign subsidiaries for the fiscal year ended December 31, 2003 was (Yen)115.98 per $1.00, compared to the average exchange rate for the fiscal year ended December 31, 2002 of (Yen)125.34 per $1.00.

The change in the average exchange rate of the yen against the US dollar and other foreign currencies resulted in translation losses on total revenue of approximately (Yen)48 billion, net interest income of approximately (Yen)23 billion and income before income taxes of approximately (Yen)18 billion for the fiscal year ended March 31, 2004.

B. Liquidity and Capital Resources

Financial Condition

Total Assets

Our total assets at March 31, 2004 were (Yen)103.70 trillion, representing an increase of (Yen)7.17 trillion, from (Yen)96.53 trillion at March 31, 2003. This increase was due primarily to an increase of (Yen)4.40 trillion in investment securities and an increase of (Yen)2.90 trillion in receivables under securities borrowing transactions. This increase was partially offset by a decrease of (Yen)1.18 trillion in cash and due from banks.

We have allocated a substantial portion of our assets to international activities. As a result, reported amounts are affected by changes in the value of the yen against the US dollar and other foreign currencies. Foreign assets are denominated primarily in US dollars. The following table shows our total assets at March 31, 2003 and 2004 by geographic region based principally on the domicile of the obligors:

At March 31,

	2003	2004
	(in trillions)	
Japan	(Yen)69.73	(Yen) 79.66
Foreign:		
United States of America	13.21	12.59
Europe	7.89	6.14
Asia/Oceania excluding Japan	3.15	3.01
Other areas*	2.55	2.30
Total foreign	26.80	24.04
Total	(Yen)96.53	(Yen)103.70

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* Other areas primarily include Canada, Latin America and the Caribbean.

At March 31, 2004, the noon buying rate of the Federal Reserve Bank of New York was (Yen)104.18 per $1.00, as compared with (Yen)118.07 per $1.00 at March 31, 2003. The yen equivalent amount of foreign currency denominated assets and liabilities increases as the relevant exchange rate indicating the yen value per one foreign currency unit becomes higher, evidencing a "weaker" yen, and decreases as the relevant exchange rate indicating the yen value per one foreign currency unit becomes lower, evidencing a "stronger" yen. The appreciation of the yen against the US dollar and other foreign currencies during the fiscal year ended March 31, 2004 decreased the yen value of our total assets by approximately (Yen)2.47 trillion. See "Item 3.A. Key Information--Selected Financial Data--Exchange Rate Information."

Loan Portfolio

The following table sets forth our loans outstanding, before deduction of allowance for credit losses, at March 31, 2003 and 2004, based on classification by industry segment as defined by the Bank of Japan for regulatory reporting purposes, which is not necessarily based on the use of proceeds:

	At March 31,	
	2003	2004
	(in billions)	
Domestic:		
Manufacturing	(Yen) 6,034.3	(Yen) 6,000.1
Construction	1,277.4	1,010.4
Real estate	4,298.1	4,585.3
Services	4,953.8	4,344.8
Wholesale and retail	5,458.3	4,999.0
Banks and other financial institutions	3,598.0	3,834.2
Communication and information services	1,516.0	874.6
Other industries	3,858.2	6,169.4

Consumer	7,425.7	7,951.2*
Total domestic	38,419.8	39,769.0
Foreign:		
Governments and official institutions	235.1	183.1
Banks and other financial institutions	928.1	1,043.9
Commercial and industrial	8,413.5	7,239.9
Other	510.1	318.6
Total foreign	10,086.8	8,785.5
Less unearned income and deferred loan fees--net	41.0	28.6
Total	(Yen)48,465.6	(Yen)48,525.9

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* Domestic loans within the "consumer" category in the above table include loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, our credit administration system was upgraded and we are now able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 by the type of proprietor business, as presented below:

Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communication and information services	Other industries
				(in billions)			
(Yen)28.2	(Yen)19.3	(Yen)738.4	(Yen)230.7	(Yen)52.3	(Yen)1.2	(Yen)4.1	(Yen)10.6

Since the system upgrade was effective during the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal year-end dates.

Loans are our primary use of funds. The average loan balance accounted for 57.6% of total interest-earning assets for the fiscal year ended March 31, 2003 and 53.9% for the fiscal year ended March 31, 2004.

At March 31, 2004, our total loans were (Yen)48.53 trillion, representing an increase of (Yen)0.06 trillion, or 0.1%, from (Yen)48.47 trillion at March 31, 2003. Before the deduction of unearned income and deferred loan fees--net, our loan balance at March 31, 2004, consisted of (Yen)39.77 trillion of domestic loans and (Yen)8.79 trillion of foreign loans while the loan balance at March 31, 2003, consisted of (Yen)38.42 trillion of domestic loans and (Yen)10.09 trillion of foreign loans.

Domestic loans increased (Yen)1.35 trillion and foreign loans decreased (Yen)1.30 trillion. With respect to domestic loans, despite a significant decrease in nonperforming loans due to disposal, the total loan balance increased, reflecting an increase in consumer loans, as we promoted residential

mortgage loans, and an increase in loans to other industries mainly to the public sector, through increasing loans to Japanese government and related institutions, which have comparatively lower credit risk, as a part of our effective use of funds.

Foreign loans decreased due to a decrease in the loan balance of UnionBanCal Corporation, our largest overseas subsidiary, and due to the appreciation of the yen against the US dollar and other foreign currencies. UnionBanCal Corporation pursued its strategy to increase its consumer loans and increased residential mortgage loans. However, the total loans decreased because of a decrease in loans to industries.

Allowance for Credit Losses, Nonperforming and Past Due Loans

The following table shows a summary of the changes in the allowance for credit losses for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal year ended March 31,		
	2002	2003	2004
		(in billions)	
Balance at beginning of fiscal year.	(Yen)1,717.0	(Yen)1,735.2	(Yen)1,360.1
Provision (credit) for credit losses	598.4	438.0	(114.1)
Charge-offs:			
Domestic	(513.2)	(753.8)	(294.2)
Foreign	(156.2)	(139.8)	(83.9)
Total	(669.4)	(893.6)	(378.1)
Recoveries:			
Domestic	42.1	57.8	17.3
Foreign	23.9	21.0	23.7
Total	66.0	78.8	41.0
Net charge-offs	(603.4)	(814.8)	(337.1)
Others*	23.2	1.7	(20.8)
Balance at end of fiscal year	(Yen)1,735.2	(Yen)1,360.1	(Yen) 888.1

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* Others principally include foreign currency translation and discontinued operations adjustments.

We have been actively working on disposing nonperforming loans. We met the guideline for the disposal of nonperforming loans, which was based on a Japanese regulation established under the program for financial revival announced by the Japanese government in October 2002. Under the program, the FSA stated that it would strive to normalize the problems with nonperforming loans by March 31, 2005, by reducing major Japanese banks' ratio of nonperforming loans to total loans by about half.

For the fiscal year ended March 31, 2004, we recorded a reversal allowance of (Yen)114.1 billion due to a significant decrease in our specific allowance for nonperforming loans reflecting a decline in such loan balances, and a gain in connection with loan sales, as the loans' sales price exceeded the loan balance, net of allowance.

The following table presents comparative data in relation to the principal amount of nonperforming loan sold and additional provision for credit losses.

	Principal amount of loans/(1)/	Allowance for credit losses/(2)/	Loans, net of allowance	Additional provision for credit losses (reversal of allowance)
	(in billions)			
For the fiscal year ended March 31, 2002	(Yen)275.1	(Yen)160.6	(Yen)114.5	(Yen) 5.0
For the fiscal year ended March 31, 2003	653.1	317.4	335.7	40.1
For the fiscal year ended March 31, 2004	315.9	133.2	182.7	(10.2)

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(1) Represents principal amount after the deduction of charge-offs made before the sales of nonperforming loans.
(2) Represents allowance for credit losses at the latest balance-sheet date.

The sales of nonperforming loans resulted in additional provisions for credit losses of (Yen)40.1 billion for the fiscal year ended March 31, 2003 and reversal of allowance of (Yen)10.2 billion for the fiscal year ended March 31, 2004.

Through the sale of nonperforming loans to the Resolution and Collection Corporation and to other third parties, additional provisions or gains may arise from factors such as a change in the credit quality of the borrowers or the value of the underlying collateral subsequent to the prior reporting date, and the risk appetite and investment policy of the purchasers. For the fiscal year ended March 31, 2003, we recorded additional provisions of (Yen)40.1 billion because the unexpected adverse change in borrowers' credit-worthiness was severe. However, during the fiscal year ended March 31, 2004, we realized a gain of (Yen)10.2 billion, because there was no such change and the conditions surrounding the sales of loans improved.

Due to the inherent uncertainty of factors that may affect negotiated prices, which reflect the borrowers' financial condition, and the value of underlying collateral, the results during the reported periods are not necessarily indicative of the results that we may record in the future.

In the fiscal years ended March 31, 2003 and 2004, we also sold loans that were not recorded as nonperforming in aggregate principal amounts of (Yen)38.9 billion and (Yen)18.0 billion, respectively, and recorded additional provisions for credit losses of (Yen)4.9 billion and (Yen)1.5 billion, respectively, in connection with those sales. Although not categorized as nonperforming as of the most recent balance sheet date, most of these loans had suffered a decline in their credit quality as of the date of their sale and were sold as a precautionary measure to avoid further declines in the value of the loans and to avoid additional losses in the future.

We incurred additional provisions of (Yen)45.0 billion in connection with the sale of loans including performing loans for the fiscal year ended March 31, 2003, and recorded a gain of (Yen)8.7 billion for the fiscal year ended March

31, 2004.

Charge-offs for the fiscal year ended March 31, 2004 were (Yen)378.1 billion, a decrease of (Yen)515.5 billion, or 57.7%, from (Yen)893.6 billion for the fiscal year ended March 31, 2003. For the fiscal year ended March 31, 2003, charge-offs were particularly high because we accelerated the disposal of nonperforming loans to meet the governmental policy for disposal of such loans, and to improve our loan portfolio. However, for the fiscal year ended March 31, 2004, charge-offs significantly decreased because the amount of nonperforming loans we disposed of was not large compared to the prior period, and because the business environment in Japan generally improved as evidenced by the decrease in bankruptcy filings. Charge-offs of domestic nonperforming loans decreased in all industries, led by a decrease of (Yen)213.4 billion in real estate, in which charge-offs were particularly large for the fiscal year ended March 31, 2003.

The following table summarizes the allowance for credit losses by component at each fiscal year-end:

	At March 31,		
	2002	2003	2004
	(in billions)		
Allocated allowance:			
Specific--specifically identified problem loans.....	(Yen)1,301.6	(Yen) 894.4	(Yen)563.6
Large groups of smaller balance homogeneous loans.....	38.3	38.0	38.8
Loans exposed to specific country risk.....	28.3	13.1	6.1
Formula--substandard, special mention and other loans.	344.4	391.3	261.1
Unallocated allowance.....	22.6	23.3	18.5
Total allowance.....	(Yen)1,735.2	(Yen)1,360.1	(Yen)888.1

Allowance policy

Our credit rating system is closely linked to the risk grading standards set by the Japanese regulatory authorities for asset evaluation and assessment, and is used as a basis for establishing the allowance for credit losses and charge-offs. The categorization is based on conditions that may affect the ability of borrowers to service their debt, such as current financial condition and results of operations, historical payment experience, credit documentation, other public information and current trends. For a discussion of our credit rating system, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk--Credit Risk Management--Credit Rating System."

Change in total allowance and provision for credit losses

At March 31, 2004, the total allowance for credit losses was (Yen)888.1 billion, or 1.83% of our total loan portfolio and 51.30% of our total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more. At March 31, 2003, the total allowance for credit losses was (Yen)1,360.1 billion, or 2.81% of our total loan portfolio and 49.41% of our total nonaccrual and restructured loans and accruing loans contractually past

due 90 days or more.

During the fiscal years ended March 31, 2002, 2003 and 2004, there were no significant additions to the allowance for credit losses resulting from directives, advice or counsel from governmental or regulatory bodies.

The provision for credit losses decreased consistently from the fiscal year ended March 31, 2002 to the fiscal year ended March 31, 2004. In particular, for the fiscal year ended March 31, 2004, we recorded a reversal of allowance for credit losses due to a decrease of allocated allowance for specifically identified problem loans as our nonperforming loans decreased, and due to a decrease of formula allowance as we reduced some performing loans, for which credit risk and percentage of allowance were comparatively high.

Allocated allowance for specifically identified problem loans

The allocated credit loss allowance for specifically identified problem loans represents the allowance against impaired loans called for in SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Impaired loans primarily include nonaccrual loans and restructured loans. We generally discontinue accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due one month or more with respect to loans made by our banking subsidiaries, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, and 90 days or more with respect to loans of certain foreign banking subsidiaries. Loans are classified as restructured loans when we grant a concession to the borrowers for economic or legal reasons related to the borrowers' financial difficulties. Detailed reviews of impaired loans are performed on a daily basis after a borrower's annual or semi-annual

financial statements first become available. In addition, as part of an ongoing credit review process, our credit officers monitor changes in all customers' creditworthiness including bankruptcy, past due principal or interest, downgrading of external credit rating, declining stock price, business restructuring and other events and reassesses borrowers' ratings in response to such events. This credit monitoring process form an integral part of our overall control process. An impaired loan is evaluated individually based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral-dependent at a balance-sheet date.

The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, at March 31, 2002, 2003 and 2004:

	At March 31,		
	2002	2003	
	Old classification	Old classification	New classification

(in billions, except per

Nonaccrual loans:			
Domestic:			
Manufacturing	(Yen) 142.6	(Yen) 112.2	(Yen) 111.1
Construction	213.5	149.9	149.9
Real estate	841.4	266.4	266.4
Services	214.9	85.6	87.5
Wholesale and retail	251.0	239.0	224.5
Banks and other financial institutions	58.6	17.8	17.8
Communication and information services	--	--	14.1
Other industries	39.7	54.3	53.9
Consumer	166.3	151.0	151.0
Total domestic	1,928.0	1,076.2	1,076.2
Foreign	245.6	337.4	337.4
Total nonaccrual loans	2,173.6	1,413.6	1,413.6
Restructured loans:			
Domestic:			
Manufacturing	303.0	218.4	215.6
Construction	190.0	118.5	118.5
Real estate	422.5	264.9	264.9
Services	248.6	146.2	164.0
Wholesale and retail	442.4	315.5	292.8
Banks and other financial institutions	55.4	19.9	19.9
Communication and information services	--	--	11.1
Other industries	83.5	43.0	39.6
Consumer	113.8	86.4	86.4
Total domestic	1,859.2	1,212.8	1,212.8
Foreign	109.2	106.2	106.2
Total restructured loans	1,968.4	1,319.0	1,319.0
Accruing loans contractually past due 90 days or more:			
Domestic	20.3	17.5	17.5
Foreign	2.7	2.9	2.9
Total accruing loans contractually past due 90 days or more	23.0	20.4	20.4
Total	(Yen) 4,165.0	(Yen) 2,753.0	(Yen) 2,753.0
Total loans	(Yen)50,229.7	(Yen)48,465.6	(Yen)48,465.6
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of total loans	8.29%	5.68%	5.68%

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* Domestic loans within the "consumer" category in the above table include loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, our credit administration system was upgraded and we are now able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 by the type of proprietor business. Such breakdown is presented below in accordance with our new classification:

	Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communi an inform servi
					(in billions)		
Nonaccrual loans..	(Yen)1.6	(Yen)0.9	(Yen)52.3	(Yen)14.2	(Yen)5.8	--	(Yen)
Restructured loans	1.0	0.3	21.0	4.1	1.5	--	

Since the system upgrade was effective during the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal year-end dates.

The Bank of Japan changed its industry segment classification during the fiscal year ended March 31, 2003. For purpose of comparison, the information as of March 31, 2003 and 2004 includes both loans outstanding by type of industry based on the prior fiscal years' industry segment classifications and the new industry segment classifications.

Total nonaccrual loans were (Yen)1,083.1 billion at March 31, 2004, a decrease of (Yen)330.5 billion, or 23.4%, from (Yen)1,413.6 billion at March 31, 2003. This decrease was largely attributable to a decrease of (Yen)116.0 billion in domestic nonaccrual loans to borrowers in the wholesale and retail industry and a decrease of (Yen)111.6 billion in domestic nonaccrual loans to borrowers in the real estate industry. These decreases principally reflected sales and charge-offs of such loans during the fiscal year ended March 31, 2004.

Total restructured loans were (Yen)632.4 billion at March 31, 2004, a decrease of (Yen)686.6 billion, or 52.1%, from (Yen)1,319.0 billion at March 31, 2003. Restructured loans to most industry segments decreased substantially during the fiscal year ended March 31, 2004. The reasons are as follows:

.. The amount of newly identified nonperforming loans significantly decreased because of the general upturn in the Japanese economy as evidenced by the decrease in bankruptcy filings.

.. Many borrowers were upgraded mainly through our policy to support the borrowers' revival efforts.

.. We also made efforts to reduce nonperforming loans through collection

The following table summarizes the balances of impaired loans and related impairment allowances at March 31, 2002, 2003 and 2004, excluding smaller-balance homogeneous loans:

	At March 31,

	2002		2003		
	Loan balance	Impairment allowance	Loan balance	Impairment allowance	b
			(in billions)		
Requiring an impairment allowance.....	(Yen)3,556.6	(Yen)1,296.3	(Yen)2,408.5	(Yen)894.4	(Yen
Not requiring an impairment allowance.....	489.1	--	211.2	--	
Total.....	(Yen)4,045.7	(Yen)1,296.3	(Yen)2,619.7	(Yen)894.4	(Yen
Percentage of the allocated allowance to total impaired loans.....	32.0%		34.1%		

In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of (Yen)3.2 billion, (Yen)3.8 billion and (Yen)12.6 billion at March 31, 2002, 2003 and 2004, respectively.

Impaired loans decreased (Yen)1,030.8 billion, or 39.3%, from (Yen)2,619.7 billion at March 31, 2003 to (Yen)1,588.9 billion at March 31, 2004, reflecting decreases in nonaccrual loans and restructured loans as set forth above.

The percentage of the allocated allowance to total impaired loans at March 31, 2004 was 35.5%, an increase of 1.4 percentage points from 34.1% at March 31, 2003. The percentage of impairment allowance allocated to nonaccrual loans at March 31, 2004 was 39.1%, a decrease of 5.4 percentage points from 44.5% at March 31, 2003. The percentage of impairment allowance allocated to restructured loans at March 31, 2004 was 28.6%, an increase of 6.3 percentage points from 22.3% at March 31, 2003.

Based upon a review of borrowers' financial status, from time to time each of our banking subsidiaries grants various concessions to troubled borrowers at the borrowers' request, including reductions in the stated interest rates or the principal amount of loans, and extensions of the maturity date. According to the policies of each of our banking subsidiaries, such modifications are made to mitigate the near-term burden of the loans provided to the borrowers and to better match the payment terms with the borrower's expected future cash flows or, in cooperation with other creditors, to reduce the overall debt burden of the borrowers so that they may normalize their operations, in each case to improve the likelihood that the loans will be repaid in accordance with the revised terms. The nature and amount of the concessions depend on the particular financial condition of each borrower. In principle, however, each of our banking subsidiaries does not modify the terms of loans to borrowers that are considered "Likely to Become Bankrupt," "Virtually Bankrupt" or "Bankrupt" because in these cases there is little likelihood that the modification of loan terms would enhance recovery of the loans.

Allocated allowance for large groups of smaller-balance homogeneous loans

The allocated allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pool rather than on an analysis of individual loans. Large groups of smaller-balance homogeneous loans primarily consist of first mortgage housing loans to individuals. The allowance for groups of performing loans is based on historical loss experience over a

period. In determining the level of the allowance for delinquent groups of loans, we classify groups of homogeneous loans based on the risk rating and/or the number of delinquencies. We determine the credit loss allowance for delinquent groups of loans based on the probability of insolvency by the number of actual delinquencies and actual loss experience. The loss experience is usually determined by reviewing the historical loss rate. The allocated credit loss allowance for large groups of smaller-balance homogeneous loans was (Yen)38.8 billion at March 31, 2004, a slight increase from (Yen)38.0 billion at March 31, 2003.

Allocated allowance for country risk exposure

The allocated credit loss allowance for country risk exposure is based on an estimate of probable losses relating to the exposure to countries that we identify as having a high degree of transfer risk. We use a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, we consider the instability of foreign currency and difficulties regarding debt servicing. The allowance is determined based on the assessment of individual country risks, taking into consideration various factors such as the political and macroeconomic situation and debt repayment capability. It is generally based on a function of default probability and expected recovery ratios, taking external credit ratings into account. The allocated allowance for country risk exposure decreased (Yen)7.0 billion from (Yen)13.1 billion at March 31, 2003 to (Yen)6.1 billion at March 31, 2004. This decrease resulted from a decrease in credit exposure to the countries, including Argentina and Indonesia, which were subject to this allowance, and from worldwide business recovery.

The following is a summary of cross-border outstandings to counterparties* in major Asian and Latin American countries at March 31, 2003 and 2004:

	At March 31,	
	2003	2004
	(in billions)	
Hong Kong	(Yen)224.7	(Yen)333.4
Singapore	278.0	226.5
South Korea	289.2	226.1
People's Republic of China	145.0	213.6
Thailand	167.4	164.1
Malaysia	116.2	106.3
Philippines	61.3	53.5
Indonesia	33.9	28.4
Brazil	120.0	82.5
Mexico	76.3	46.3
Argentina	34.1	18.2

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* We recorded allocated allowance for country risk exposure for specific countries, not all of the countries above.

Formula allowance for substandard, special mention and unclassified loans

The formula allowance is calculated by applying estimated loss factors to

outstanding substandard, special mention and unclassified loans. In evaluating of inherent loss for these loans, we rely on a statistical analysis that incorporates a percentage of total loans based on historical loss experience.

Bank of Tokyo-Mitsubishi has computed the formula allowance based on estimated credit losses using a methodology defined by the credit rating system. Estimated losses inherent in the loan portfolio at the balance sheet date are calculated by multiplying the default ratio by the irrecoverable ratio (determined as a complement of the recovery ratio). The default ratio is determined by each credit risk rating, taking into account the historical number of defaults of borrowers within each credit risk rating divided by the total number of borrowers within that credit risk rating existing at the beginning of the five-year observation period. The recovery ratio is determined by the historical experience of collections against loans in default.

Mitsubishi Trust Bank also computes the formula allowance based on a similar methodology on the basis of historical loss experience except for a few technical differences in methodology including shorter observation periods to develop the ratio for formula allowance of each credit rating calculation and the extent of grouping of loans in computing the allowance, reflecting the smaller size of the loan portfolio.

UnionBanCal Corporation, our largest overseas subsidiary, calculates the formula allowance by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of such loans, leases and commitments. Changes in risk grades affect the amount of the formula allowance. Loss factors are based on historical loss experience and may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date. Loss factors are developed in the following ways:

.. pass graded loss factors for commercial, financial and industrial loans, as well as all problem graded loan loss factors, are derived from a migration model that tracks historical losses over a period, which we believe captures the inherent losses in our loan portfolio;

.. pass graded loss factors for commercial real estate loans and construction loans are based on the average annual net charge-off rate over a period reflective of a full economic cycle; and

.. pooled loan loss factors (not individually graded loans) are based on expected net charge-offs for one year. Pooled loans are loans that are homogeneous in nature, such as consumer installment, home equity, residential mortgage loans and automobile leases.

Though there are a few technical differences in the methodology used for the allowance for credit losses as mentioned above, we examine overall sufficiency of the formula allowance periodically by back-test comparison with the actual loss experience subsequent to the balance sheet date.

The formula allowance decreased (Yen)130.2 billion from (Yen)391.3 billion at March 31, 2003 to (Yen)261.1 billion at March 31, 2004. This decrease was due to a reduction of some performing loans of which credit risk and percentage of allowance were comparatively high.

Unallocated allowance

The unallocated allowance contains amounts that are based on management's

evaluation of conditions that are not directly measured in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific problem credits or portfolio segments. The conditions include the following, as our management understood them to exist at the balance sheet date:

.. general economic and business conditions affecting our key lending areas;

.. credit quality trends, including trends in nonperforming loans expected to result from existing conditions;

.. collateral values;

.. loan volumes and concentrations;

.. seasoning of the loan portfolio;

.. specific industry conditions within portfolio segments;

.. recent loss experience in particular segments of the portfolio;

.. duration of the current business cycle;

.. bank regulatory examination results; and

.. findings of our internal credit examiners.

To the extent that any of these conditions is evidenced by a specifically identifiable problem credit as of the evaluation date, management's estimate of the effect of the condition may be reflected as a specific allowance, applicable to the specific credit. Where any of these conditions is not evidenced by a specifically identifiable problem credit as of the evaluation date, management's evaluation of the probable loss related to the condition is first reflected in the formula allowance and then considered in the unallocated allowance. The allowance for credit losses is based upon estimates of probable losses inherent in the loan portfolio. Although we use methodologies that are intended to reduce the differences between estimated and actual losses, the actual losses can vary from the estimated amounts.

The unallocated allowance decreased (Yen)4.8 billion from (Yen)23.3 billion at March 31, 2003 to (Yen)18.5 billion at March 31, 2004. This decrease primarily reflected improving economic factors and identifiable improving conditions in several specific sectors in the United States.

Allowance for Off-balance-sheet Credit Instruments

In addition to the allowance for credit losses on the loan portfolio, we maintain an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, a variety of guarantees and standby letters of credit. This allowance is included in other liabilities. With regard to the specific allocated allowance for

specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we use in determining the allowance for loan credit losses. The allowance for credit losses on off-balance-sheet credit instruments was (Yen)110.7 billion at March 31, 2004, an increase of (Yen)27.4 billion, or 32.9%, from (Yen)83.3 billion at March 31, 2003. This increase is

primarily due to the accelerated restructuring and downgrades of some borrowers to whom we had extended off-balance sheet credit.

Investment Portfolio

Our investment securities are primarily comprised of marketable equity securities and Japanese government and Japanese government agency bonds, which are mostly classified as available-for-sale securities. We also hold Japanese government bonds which are classified as securities being held to maturity.

We hold equity securities of some of our customers for strategic purposes, in particular to maintain long-term relationships with these customers. However, our current goal is to reduce our aggregate value of equity securities to approximately 50% of our Tier I capital by March 31, 2007, because we believe from a risk management perspective, reducing the price fluctuation risk in our equity portfolio is imperative. As of March 31, 2004, we already reduced the aggregate value of marketable equity securities under Japanese GAAP to 72% of our Tier I capital which satisfies the required level under the legislation forbidding banks from holding equity securities in excess of their Tier I capital after September 30, 2006. As part of our efforts to reduce our equity securities, in addition to sales in the stock market, we will continue to take into account other options such as sales to the Banks' Shareholdings Purchase Corporation and transfers to the exchange traded funds. In past years, before our equity portfolio's value was below our Tier I capital, we sold some of our equities to the Bank of Japan, which purchases equities only in excess of a bank's Tier I capital as a method to assist the bank to reduce its equity portfolio.

Investment securities increased (Yen)4.41 trillion, from (Yen)24.70 trillion at March 31, 2003 to (Yen)29.11 trillion at March 31, 2004.

Available-for-sale securities increased (Yen)3.29 trillion from (Yen)24.36 trillion at March 31, 2003 to (Yen)27.65 trillion at March 31, 2004. This increase was due primarily to an increase in amount of Japanese government bonds and an increase in the value of marketable equity securities. The increase in Japanese government bonds was partly due to the fact that our balance of deposits exceeded our loans, and Japanese government bonds were a viable investment option for us.

Net unrealized gains on available-for-sale securities included in the investment portfolio at March 31, 2003 and 2004 were (Yen)1.08 trillion and (Yen)1.82 trillion, respectively. These net unrealized gains related principally to marketable equity securities and the increase in net unrealized gains reflected a significant improvement in the Japanese stock market at March 31, 2004, compared to March 31, 2003.

The amortized cost of securities being held to maturity increased (Yen)1.06 trillion from (Yen)0.19 trillion at March 31, 2003 to (Yen)1.25 trillion at March 31, 2004. This increase was due primarily to an increase in investment in Japanese government bonds.

In April 2003, we reassessed the appropriateness of the classification for the available-for-sale securities which had been acquired subsequent to September 2000, when Bank of Tokyo-Mitsubishi transferred its held-to-maturity securities to available-for-sale securities, and acquisitions thereafter had been classified as either available-for-sale or trading. As a result of reassessment, (Yen)78.3 billion of securities are reclassified as held-to-maturity. For further information regarding the transfer of held-to-maturity securities to available-for-sale securities in September 2000, see note 4 to our consolidated financial statements.

In addition to the reclassification of securities from available-for-sale to

held-to-maturity as set forth above, during the fiscal year ended March 31, 2004, we started to classify a portion of our newly acquired debt securities into the held-to-maturity category to enable more stable fund management.

Subsequent to March 31, 2004, our bond portfolio value has experienced declines as long-term interest rates have risen in recent months. However, since stock and bond prices are inherently volatile, we are not able to estimate the expected impacts of fluctuations in these market prices on our future financial condition or results of operations.

We had an investment in shares of common stock issued by Mitsubishi Motors Corporation of (Yen)15.0 billion at March 31, 2004. These shares were classified as available-for-sale securities and were measured at fair value based on the quoted market price of (Yen)263 per share as of March 31, 2004. Subsequent to March 31, 2004, the per share quoted market price of Mitsubishi Motors Corporation declined to a level below (Yen)80 per share, after hitting over (Yen)300 per share in mid-April. Based on a price level around (Yen)100 per share in September 2004, a significant part of our investment has been lost subsequent to March 31, 2004.

Cash and Due from Banks

Cash and due from banks at March 31, 2004 was (Yen)3.11 trillion, a decrease of (Yen)1.18 trillion from (Yen)4.29 trillion at March 31, 2003. The decrease in cash and due from banks was primarily attributable to a decrease in deposits with the Bank of Japan at the end of the fiscal year, due to an increase in investments in short-term Japanese government bonds at the end of the fiscal year.

Interest-earning Deposits in Other Banks

Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks at March 31, 2004 were (Yen)3.51 trillion, a decrease of (Yen)0.50 trillion, from (Yen)4.01 trillion at March 31, 2003. This decrease primarily reflected a decrease in foreign currency deposits.

Deferred Tax Assets

Deferred tax assets decreased (Yen)0.63 trillion, or 38.7%, from (Yen)1.64 trillion at March 31, 2003 to (Yen)1.01 trillion at March 31, 2004. This decrease was due primarily to a decrease in existing deductible temporary differences. The decrease in existing deductible temporary differences reflected a decrease in allowance for credit losses and an increase in unrealized gains on investment securities available for sale. A decrease in net operating loss carryforwards, which is attributable to the existence of taxable income in our domestic banking subsidiaries for the fiscal year ended March 31, 2004, also contributed to the decrease in deferred tax assets.

Total Liabilities

At March 31, 2004, total liabilities were (Yen)99.85 trillion, an increase of (Yen)5.87 trillion, from (Yen)93.98 trillion at March 31, 2003. This increase primarily reflected increases of (Yen)2.81 trillion in other short-term borrowings and (Yen)2.72 trillion in total deposits. This increase was partially offset by a decrease of (Yen)1.09 trillion in trading account liabilities, and a decrease in the yen values for liabilities denominated in the US dollar resulting from the appreciation of the yen as mentioned below.

The appreciation of the yen against the US dollar and other foreign currencies during the fiscal year ended March 31, 2004 decreased the yen values for liabilities denominated in foreign currencies by approximately (Yen)2.29 trillion.

Deposits

Deposits are our primary source of funds. Total average deposits increased (Yen)3.61 trillion from (Yen)64.89 trillion for the fiscal year ended March 31, 2003 to (Yen)68.50 trillion for the fiscal year ended March 31, 2004. This increase

reflected a (Yen)2.30 trillion increase in average domestic interest-bearing deposits and a (Yen)1.13 trillion increase in average domestic non-interest-bearing deposits, partially offset by a (Yen)0.08 trillion decrease in average foreign interest-bearing deposits.

Domestic deposits increased (Yen)1.30 trillion from (Yen)56.24 trillion at March 31, 2003 to (Yen)57.54 trillion at March 31, 2004, while foreign deposits increased (Yen)1.43 trillion from (Yen)11.06 trillion at March 31, 2003 to (Yen)12.49 trillion at March 31, 2004.

Although the Deposit Insurance Corporation guarantees in full all current deposits, ordinary deposits and other specified deposits until March 31, 2005, under the Deposit Insurance Law amended in December 2002, the movements toward the reduction of blanket deposit insurance to a (Yen)10 million maximum, have led some depositors to transfer their deposits to more financially stable banks. The increase in our average domestic deposits for the fiscal year ended March 31, 2004 partly reflected such movements.

Short-term Borrowings

We use short-term borrowings as a funding source and in our management of interest rate risk. For management of interest rate risk, short-term borrowings are used in asset liability management operations to match interest rate risk exposure resulting from loans and other interest-earning assets and for managing funding costs of various financial instruments at an appropriate level as a whole, based on our forecast of future interest rate levels. Short-term borrowings include call money and funds purchased, payables under repurchase agreements, payables under lending transactions, due to trust accounts and other short-term borrowings.

The total average balance of short-term borrowings increased (Yen)3.04 trillion from (Yen)12.94 trillion for the fiscal year ended March 31, 2003 to (Yen)15.98 trillion for the fiscal year ended March 31, 2004.

Short-term borrowings increased (Yen)2.86 billion from (Yen)13.58 trillion at March 31, 2003 to (Yen)16.44 trillion at March 31, 2004. This increase was primarily attributable to an increase of (Yen)2.81 trillion in other short-term borrowings primarily due to an increase of funding from The Bank of Japan in connection with its daily money market operations.

Severance Indemnities and Pension Liabilities

We have defined benefit pension plans in Japan and overseas, which cover substantially all of our employees. In Japan, we have Employees' Pension Fund plans, which are defined benefit plans established under the Japanese Welfare

Pension Insurance Law. These plans are composed of (a) a substitutional portion based on the pay-related part of the old-age pension benefits prescribed by the Japanese Welfare Pension Insurance Law (similar to social security benefits in the U.S.) and (b) a corporate portion based on a contributory defined benefit pension arrangement established at the discretion of each employer. An employer with an Employees' Pension Fund plan and its employees are exempt from contributions to Japanese Pension Insurance that would otherwise be required if they had not elected to fund the substitutional portion of the benefit through an Employees' Pension Fund plan arrangement. The Employee's Pension Fund plan, in turn, pays both the corporate and substitutional pension benefits to retired beneficiaries out of its plan assets. Benefits of the substitutional portion are based on a standard remuneration scheduled as determined by the Japanese Welfare Pension Insurance Law, but the benefits of the corporate portion are based on a formula determined by each employer's Employees' Pension Fund plan. In June 2001, the Japanese Welfare Insurance Law was amended to permit each employer's Employees' Pension Fund plan to separate the substitutional portion from its Employees' Pension Fund plan and transfer the obligation and related assets to the government. The separation process occurs in several phases.

As mentioned in "Item 5.A. Operating Results--Recent Developments--Planned Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities," in August 2003, the government approved Bank of Tokyo-Mitsubishi's application to transfer the obligation to pay benefits for future

employee service related to the substitutional portion. Upon that approval, Bank of Tokyo-Mitsubishi began making pension insurance payments to the government and the government assumed the benefit obligations arising from future employee services. To complete the entire separation process, in August 2004, Bank of Tokyo-Mitsubishi made another application for transfer to the government of the remaining substitutional portion related to the benefit obligation for past services, but the timing of the approval is not known yet. Upon completion of the separation, the remaining substitutional obligation and related pension plan assets, determined pursuant to a government formula, will be transferred to a government agency, and Bank of Tokyo-Mitsubishi will be released from paying the remaining substitutional portion of the benefits to its employees. After the separation, both Bank of Tokyo-Mitsubishi and its employees will be required to make periodic contributions to the Japanese Pension Insurance, and the Japanese government will be responsible for all benefit payments earned under the Japanese Welfare Pension Insurance Law.

The impact on our financial statements of the transfer, which will be accounted for in accordance with EITF 03-2, discussed in "Item 5.A. Operating Results--Recently Issued Accounting Pronouncements," is not known and cannot be reasonably estimated until the completion of the transfer.

Sources of Funding and Liquidity

Our primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have shown a historically high rollover rate among our corporate customers and individual depositors. Due to the economic and financial environment in Japan, as well as to our relatively high financial standing in Japan, our deposits have steadily increased during recent years, from (Yen)63.66 trillion at March 31, 2002 to (Yen)70.02 trillion at March 31, 2004. As of March 31, 2004, our deposits of (Yen)70.02 trillion exceeded our loans, net of allowance for credit losses of (Yen)47.64 billion, by (Yen)22.38 billion. These deposits provide us with a sizable source of stable and low-cost funds. While approximately 53% of

certificates of deposit and time deposits mature within three months, we continuously monitor relevant interest rate characteristics of these funds and utilize asset and liability management techniques to manage the possible impact of the rollovers on our net interest margin and liquidity. Our average deposits, combined with average shareholders' equity, funded 69.8% of our average total assets of (Yen)102.8 trillion during the fiscal year ended March 31, 2004.

Most of the remaining funding was provided by short-term borrowings and long-term senior and subordinated debt. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust account and other short-term borrowings. From time to time, we have issued long-term instruments such as straight bonds with mainly three to five years' maturity. Liquidity may also be provided by the sale of financial assets, including securities available for sale, trading account securities and loans. Additional liquidity may be provided by the maturity of loans.

Shareholders' Equity

The following table presents a summary of our shareholders' equity at March 31, 2003 and 2004:

	At March 31,	
	2003	2004
	(in billions, except percentages)	
Preferred stock	(Yen) 222.1	(Yen) 137.1
Common stock	984.7	1,069.7
Capital surplus	1,058.6	1,057.9
Retained earnings	405.5	1,194.9
Accumulated other changes in equity from nonowner sources	(114.8)	389.8
Less treasury stock, at cost	(3.2)	(2.4)
Total shareholders' equity	(Yen)2,552.9	(Yen)3,847.0
Ratio of total shareholders' equity to total assets	2.64%	3.71%

Total shareholders' equity increased (Yen)1,294.1 billion, or 50.7%, from (Yen)2,552.9 billion at March 31, 2003 to (Yen)3,847.0 billion at March 31, 2004, and the ratio of total shareholders' equity to total assets also showed an increase of 1.07 percentage points from 2.64% at March 31, 2003 to 3.71% at March 31, 2004. The increase in total shareholders' equity for the fiscal year ended March 31, 2004, and the resulting increase in the ratio to total assets, were principally attributable to an increase of (Yen)789.4 billion in retained earnings, resulting from net income for the fiscal year ended March 31, 2004 and an increase of (Yen)411.0 billion in net unrealized gains on investment securities available for sale, net of taxes, recorded as part of accumulated other changes in equity from nonowner sources.

Due to our holdings of a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected our shareholders'

equity. The following table presents information relating to the accumulated net unrealized gains before tax effect in respect of marketable equity securities at March 31, 2003 and 2004:

	At March 31,	
	2003	2004
	(in billions, except percentages)	
Accumulated net unrealized gains	(Yen)725.8	(Yen)1,688.2
Accumulated net unrealized gains to total assets	0.75%	1.63%

The increase in accumulated net unrealized gains on marketable equity securities at March 31, 2004 was mainly due to the improvement in the Japanese stock market compared to the previous fiscal year.

Capital Adequacy

We are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which we operate. Failure to meet minimum capital requirements can initiate mandatory actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements.

We continually monitor our risk-adjusted capital ratio closely and manage our operations in consideration of the capital ratio requirements. These ratios are affected not only by fluctuations in the value of our assets, including our marketable securities and deferred tax assets, but also by fluctuations in the value of the yen against the US dollar and other foreign currencies and by general price levels of Japanese equity securities.

Capital Requirements for Banking Institutions in Japan

A Japanese banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. A bank holding company is also subject to the minimum capital adequacy requirements on a consolidated basis. Under the Financial Services Agency's guidelines, capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Our Tier I capital generally consists of shareholders' equity items, including common stock, Class 1 and Class 2 non-cumulative preferred stocks, capital surplus, minority interests and retained earnings (which includes deferred tax assets), but recorded goodwill and other items, such as treasury stock, are deducted from Tier I capital. Our Tier II generally consists of general reserves for credit losses up to 1.25% of risk-weighted assets, 45% of the unrealized gains on investment securities available for sale, 45% of the land revaluation excess, the balance of perpetual subordinated debt and the balance of subordinated term debt with an original maturity of over five years subject to certain limitations, up to 50% of Tier I capital. Our Tier III capital consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

Under the Japanese regulatory capital requirements, our consolidated capital components, including Tier I, Tier II and Tier III and risk-weighted assets are calculated from our consolidated financial statements prepared under

Japanese GAAP. Also, each of the consolidated and stand-alone capital components of our banking subsidiaries in Japan is calculated from consolidated and non-consolidated financial statements prepared under Japanese GAAP, respectively.

For a detailed discussion of the capital adequacy guidelines adopted by the Financial Service Agency and proposed amendments, see "Item 4.B. Information on the Company--Business Overview--Supervision and Regulation--Japan--Capital Adequacy."

Capital Requirements for Banking Institutions in the United States of America

In the United States, UnionBanCal Corporation and its banking subsidiary, Union Bank of California, N.A., our largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by U.S. Federal banking agencies, including minimum capital requirements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, they must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under U.S. regulatory accounting practices. Their capital amounts and prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

For a detailed discussion of the capital adequacy guidelines applicable to our U.S. bank subsidiaries, see "Item 4.B. Information on the Company--Business Overview--Supervision and Regulation--United States--Bank Capital Requirements and Capital Distributions."

Capital Requirements for Securities Firms in Japan and Overseas

We have securities subsidiaries in Japan and overseas, which are also subject to regulatory capital requirements. In Japan, the Securities and Exchange Law of Japan and related ordinance require securities firms to maintain a minimum capital ratio of 120% calculated by as a percentage of capital accounts less certain illiquid assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which detail the definition of essential components of the capital ratios, including capital, illiquid assets deductions, risks and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of 100% or less may lead to a suspension of all or part of the business for a period of time and cancellation of a license. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries or jurisdictions in which they operate. At March 31, 2004, Mitsubishi Securities's capital accounts, less certain illiquid assets of (Yen)397.8 billion, were 403.2% of total amounts equivalent to market, counterparty credit and operations risks.

Mitsubishi Tokyo Financial Group Ratios

The table below presents our consolidated risk-based capital, risk-adjusted assets and risk-based capital ratios at March 31, 2003 and 2004 (underlying figures are calculated in accordance with Japanese banking regulations based on

information derived from our consolidated financial statements prepared in accordance with Japanese GAAP, as required by the Financial Services Agency):

	At March 31,		
	2003	2004	Minimum c ratios re
	(in billions, except percentages)		
Capital components:			
Tier I capital	(Yen) 3,128.7	(Yen) 3,859.4	
Tier II capital includable as qualifying capital	2,847.6	3,157.9	
Tier III capital includable as qualifying capital	30.0	30.0	
Deductions from total qualifying capital	37.9	54.5	
Total risk-based capital	5,968.4	6,992.8	
Risk-weighted assets	55,049.6	53,996.8	
Capital ratios:			
Tier I capital	5.68%	7.14%	4.00
Total risk-based capital	10.84	12.95	8.00

Our total risk-based capital ratio increased 2.11 percentage points from 10.84% at March 31, 2003 to 12.95% at March 31, 2004. This increase was due primarily to an increase in Tier I capital, which primarily resulted from an increase in retained earnings.

Capital Ratios of Our Subsidiary Banks in Japan

The table below presents the risk-based capital ratios of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank at March 31, 2003 and 2004 (underlying figures are calculated in accordance with Japanese banking regulations based on information derived from their consolidated and non-consolidated financial statements prepared in accordance with Japanese GAAP, as required by the Financial Services Agency):

	At March 31,		
	2003	2004	Minimum capital ratios required
Consolidated capital ratios:			
Bank of Tokyo-Mitsubishi			
Tier I capital	5.34%	6.52%	4.00%
Total risk-based capital	10.43	11.97	8.00
Mitsubishi Trust Bank			
Tier I capital	6.66	7.76	4.00
Total risk-based capital	12.00	15.03	8.00
Stand-alone capital ratios:			
Bank of Tokyo-Mitsubishi			
Tier I capital	5.12	6.35	4.00
Total risk-based capital	10.24	12.18	8.00
Mitsubishi Trust Bank			
Tier I capital	6.16	7.78	4.00
Total risk-based capital	11.23	15.16	8.00

At March 31, 2004, management believes that our subsidiary banks are in compliance with all capital adequacy requirements to which they are subject.

Capital Ratios of Subsidiary Banks in the United States

The table below presents the risk-based capital ratios of UnionBanCal Corporation and Union Bank of California, both subsidiaries of Bank of Tokyo-Mitsubishi, at December 31, 2002 and 2003:

	At December 31,			
	2002	2003	Minimum capital ratios required to be	Ratio
UnionBanCal Corporation:				
Tier I capital (to risk-weighted assets).....	11.18%	11.31%	4.00%	
Tier I capital (to quarterly average assets)*.	9.75	9.03	4.00	
Total capital (to risk-weighted assets).....	12.93	14.14	8.00	
Union Bank of California:				
Tier I capital (to risk-weighted assets).....	10.37%	10.44%	4.00%	
Tier I capital (to quarterly average assets)*.	9.01	8.30	4.00	
Total capital (to risk-weighted assets).....	11.87	11.88	8.00	

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* Excludes certain intangible assets.

Management believes that, as of December 31, 2003, UnionBanCal Corporation and Union Bank of California met all capital adequacy requirements to which they are subject.

As of December 31, 2003, Union Bank of California was categorized as "well-capitalized" under the regulatory framework for prompt corrective action in accordance with the notification from the OCC. To be categorized as "well capitalized," Union Bank of California must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed Union Bank of California's category.

Off-balance-sheet Arrangements

In the normal course of our business, we engage in several types of off-balance-sheet arrangements to meet the financing needs of our customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. The following table summarizes these commitments at March 31, 2004:

	Amount of commitment expiration by			
	Less than 1 year	1-3 years	4-5 years	Over 5 years
	(in billions)			
Guarantees:				
Standby letters of credit and financial guarantees.	(Yen) 1,074	(Yen) 365	(Yen) 260	(Yen)1,0

Performance guarantees	662	327	139	
Liquidity facilities	603	--	--	
Derivative instruments	16,456	2,587	1,582	5
Guarantees for the repayment of trust principal	349	1,389	333	
Liabilities of trust accounts	3,600	15	11	2
Others	309	--	--	
Total guarantees	23,053	4,683	2,325	1,9
Other off-balance-sheet instruments:				
Commitments to extend credit	19,440	3,599	2,049	5
Commercial letters of credit	376	1	--	
Other	165	1	4	
Total other off-balance-sheet instruments	19,981	3,601	2,053	5
Total	(Yen)43,034	(Yen)8,284	(Yen)4,378	(Yen)2,5

See note 24 to our consolidated financial statements for a description of the nature of our guarantees and other off-balance-sheet instruments.

The contractual amounts of these guarantees and other off-balance-sheet instruments represent the amounts at risk should the contracts be fully drawn upon with a subsequent default by our customer and a decline in the value of the underlying collateral. Because many of these commitments expire without being drawn upon, the total contractual or notional amounts of these commitments do not necessarily represent our future cash requirements. At March 31, 2004, approximately 74% of these commitments will expire within one year, 22% from one year to five years and 4% after five years. Such risks are monitored and managed as a part of our risk management system as set forth in "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk." In addition, in accordance with SFAS No. 5, "Accounting for Contingencies," we evaluate off-balance-sheet arrangement in the manner described in note 1 to our consolidated financial statements.

In the aggregate, the income generated from fees and commissions is one of our most important sources of revenue. Such income amounted to (Yen)572.7 billion during the fiscal year ended March 31, 2004, accounting for approximately 44% of our non-interest income for the fiscal year. However, the fees generated specifically from off-balance-sheet arrangements are not a dominant source of our fees and commissions.

Some of our off-balance-sheet arrangements are related to activities of special purpose entities, most of which are VIEs. As set out in "Item 5.A. Operating Results--Accounting Changes--Variable Interest Entities," we have not applied FIN No. 46 and/or FIN No. 46R to entities created before February 1, 2003. Accordingly, such entities were not consolidated as of March 31, 2004. Off-balance-sheet arrangements include the following types of special purpose entities.

Asset-backed Commercial Paper Conduits

We administer several third-party owned, multi-seller finance companies (primarily asset-backed commercial paper conduits) that purchase financial assets, primarily pools of receivables, from third-party customers. Assets purchased by these conduits are generally funded by issuing commercial paper,

or partly by borrowings from us or third parties. While customers basically continue to service the transferred trade receivables, we underwrite, distribute, make a market in commercial paper issued by the conduits, provide liquidity and credit support facilities to the entities. These conduits earn profits from the interest rate spread between receivables purchased and commercial paper issued. These earnings are used to cover credit losses, taxes, professional fees and other administrative expenses. The residual interest, if any, is distributed to us annually in the form of back-end fees.

We provide liquidity facilities that are to be used in the event of any disruption in the commercial paper market and/or to manage mismatches in cash flows between the redemption of the commercial paper and the collection of the trade receivables. In addition, we provide credit support facilities for the full and timely payment of maturing commercial paper. We also act as a dealer for the commercial paper program and distribute it primarily to institutional investors. We occasionally hold the commercial paper in our trading account portfolio before marketing them to third party investors. The average holding period of the commercial paper before distribution to third party investors is approximately 9 days.

The total assets of the special purpose entities to which we provide liquidity facilities were (Yen)3,182.3 billion at March 31, 2003 and (Yen)3,105.3 billion at March 31, 2004. We provided liquidity and credit enhancements that were available for the redemption of outstanding commercial paper in the amounts of (Yen)2,418.8 billion at March 31, 2003 and (Yen)2,337.7 billion at March 31, 2004. We also held in our portfolio of trading securities commercial paper issued by these entities in the amounts of (Yen)1,058.1 billion at March 31, 2003 and (Yen)1,423.6 at March 31, 2004. Moreover, we provided liquidity advance fund in the amount of (Yen)151.7 billion at March 31, 2004.

Securitization of Client Properties

We administer several third-party owned conduits that purchase clients assets, primarily buildings and lands, from third-party customers. Assets purchased by these conduits are generally funded by investments under partnership agreements from customers or by borrowings from us or third-parties. While the customers basically continue to use the transferred real estate by lease-back agreements, the customers that invest in conduits absorb the expected losses of the conduits. With regard to transactions with these entities, we earn fee in return for administration and interest on loan to the entities.

We, as a non-primary beneficiary, had variable interests in this type of entities, with total assets of (Yen)1,031.3 billion as of March 31, 2004, and are exposed to maximum loss of (Yen)282.0 billion, which will realize in case our loan to entities are not collected unexpectedly.

Investment Funds

We hold equity or other forms of interest in various investment funds that invest in equity and debt securities, including listed Japanese securities and investment grade bonds and, to a limited extent, other types of assets. In addition to such interests, we have commitments to provide additional investments to these funds as stipulated in the applicable investment agreements. We intend to seek gain on our investment into such funds, while we are exposed to the risk of losing the value of our investment.

We occasionally sell assets such as nonperforming loans to these funds, in particular the Corporate Recovery Fund, when we believe that such sale may

improve our asset quality.

Corporate Recovery Fund. We have non-controlling equity interests in corporate recovery funds whose principal business purpose is to generate profits by investing in companies in the process of restructuring and then, typically, selling these investments after the companies complete their restructurings. Such funds purchase nonperforming loans from us or others and in some cases acquire majority ownership in the borrower companies by means of a debt-for-equity swap. Our non-voting interests in these funds amounted to (Yen)7.3 billion at March 31, 2003 and (Yen)35.9 billion at March 31, 2004, respectively. In addition, at March 31, 2004, we had commitments to make additional contributions of up to (Yen)20.3 billion to these funds.

The total assets of the corporate recovery funds in which we have interests were approximately (Yen)21.1 billion at March 31, 2003 and (Yen)127.6 billion at March 31, 2004. We sold to corporate recovery funds nonperforming loans with an aggregate net book value of (Yen)7.0 billion for (Yen)4.1 billion during the fiscal year ended March 31, 2003 and an aggregate net book value of (Yen)2.2 billion for (Yen)1.6 billion during the fiscal year ended March 31, 2004. For a detailed discussion on additional provisions for credit losses associated with the sale of such loans, see "--Financial Condition--Allowance for Credit Losses, Nonperforming and Past Due Loans."

Venture Capital Fund. We own non-controlling equity interests in investment funds managed by fund management companies who have discretionary investment powers. These funds seek to invest in start-up companies or companies that are rapidly developing. The aggregate assets of these funds were approximately (Yen)1,900.1 billion at March 31, 2004. We made contributions to these funds amounting to (Yen)93.2 billion at March 31, 2004. At March 31, 2004, in accordance with the applicable limited partnership agreements, we had commitments to make additional contributions of up to (Yen)28.4 billion when required by the fund management companies.

Investment Trust. We purchase the share units of investment trusts as mid- to long-term investments. These investment trusts are managed by investment advisory companies with the objective of investing in a diversified portfolio consisting of equity and debt securities, primarily shares of Japanese public companies. At March 31, 2004, our share units in investment trusts amounted to approximately (Yen)596.2 billion, which is equal to our maximum loss exposure. Generally, we are not obligated to invest in or extend funds by purchasing additional

share units and our off-balance-sheet exposures or commitments relating to this type of special purpose entity were not material.

Special Purpose Entities Created for Structured Financing

We extend non-recourse asset-backed loans to special purpose entities, which hold beneficial interests in real properties, to provide financing for special purpose projects including real estate development and natural resource development managed by third parties. We generally act as a member of a lending group and do not have any equity investment in the entities, which is typically provided by project owners. We earn profit by arrangement fee and interest on non-recourse asset-backed loans to these entities.

We, as a non-primary beneficiary, had variable interests in this type of entities, with total assets of (Yen)10,960.1 billion, as of March 31, 2004, and are exposed to maximum loss of (Yen)650.2 billion, which will possibly realize

if our loans to entities are not collected in accordance with the contractual terms.

Trust Products

We offer a variety of trust products and manage and administer a wide range of trust arrangements including securities investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. In a typical trust arrangement, we manage and administer the assets on behalf of the customers in an agency, fiduciary and trust capacity. In principle, we do not assume the risks associated with the entrusted assets, which are borne by the customers. However, in limited cases we assume risks through guarantees or certain protections as provided in the applicable trust agreement. Fees on trust products that we offer for the fiscal years ended March 31, 2003 and 2004 were (Yen)103.8 billion and (Yen)90.0 billion, respectively.

See notes 14, 24 and 27 to our consolidated financial statements for further details.

Repackaged Instruments

We repackage financial instruments to create new financial instruments with features that match our customers' needs and preferences. We purchase financial instruments such as bonds and transfer them to special purpose entities which then issue new instruments. The special purpose entities may enter into derivative transactions including interest rate and currency swaps with us or other financial institutions to modify the cash flows of the underlying financial instruments. We underwrite and market to our customers the new instruments issued by the special purpose entities. With regard to transactions with these entities, we earn revenues by sales of securities, derivative transactions or arrangement fee. In addition, we may purchase asset-backed securities and credit linked notes issued by entities managed by third parties. At March 31, 2004, the total assets of these entities were estimated as (Yen)5,333.7 billion and our maximum exposure to loss as a result of its involvement with such entities were estimated as (Yen)575.8 billion.

Contractual Cash Obligations

In the normal course of our business, we enter into contractual agreements whereby we commit to future purchases of products or services from unaffiliated parties. The following table shows a summary of our contractual cash obligations at March 31, 2004:

	Payments due by period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total
	(in billions)				
Contractual cash obligations:					
Time deposits	(Yen)26,701	(Yen)6,975	(Yen)1,658	(Yen) 57	(Yen)35,391
Debentures	266	--	--	--	266
Long-term debt	590	1,365	813	2,840	5,608
Capital lease obligations	18	25	6	3	52

Operating leases.....	24	44	36	56	160
Purchase obligations.....	145	7	4	35	191
Total.....	(Yen)27,744	(Yen)8,416	(Yen)2,517	(Yen)2,991	(Yen)41,668

Purchase obligations include any legally binding contractual obligations that require us to spend more than (Yen)100 million annually under the contract. Purchase obligations in the table primarily include commitments to make investments into a partner of our strategic business alliance and corporate recovery or private equity investment funds.

Non-exchange Traded Contracts Accounted for at Fair Value

The use of non-exchange traded or over-the-counter contracts provides us with the ability to adapt to the varied requirements of a wide customer base while mitigating market risks. Non-exchange traded contracts are accounted for at fair value, which is generally based on pricing models or quoted market prices for instruments with similar characteristics. Gains or losses on non-exchange traded contracts are included in "Trading account profits--net" in our consolidated statements of operations. These contracts consist primarily of crude oil commodity contracts. The following table summarizes the changes in fair value of non-exchange traded contracts for the fiscal years ended March 31, 2003 and 2004:

	Fiscal years en
	2003
	(in milli
Net fair value of contracts outstandings at beginning of fiscal year.....	(Yen) (568)
Changes attributable to contracts realized or otherwise settled during the fiscal year.....	(3,599)
Fair value of new contracts when entered into during the fiscal year.....	(8)
Other changes in fair value, principally revaluation at end of fiscal year.....	14,450
Net fair value of contracts outstandings at end of fiscal year.....	(Yen)10,275

During the fiscal years ended March 31, 2003 and 2004, the fair value of non-exchange traded contracts increased primarily due to an increase in the fair value of oil commodity contracts indexed to the Brent crude oil and WTI crude oil prices, reflecting political factors in the Middle East and other factors.

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2004:

	Net fair value of contracts-- unrealized gains

	Prices actively quoted	Prices based on models and other valuation methods
	(in millions)	
Maturity less than 1 year.	(Yen) 5,415	(Yen)167
Maturity less than 3 years	2,284	238
Maturity less than 5 years	1,321	189
Maturity 5 years or more..	2,440	--
Total fair values.....	(Yen)11,460	(Yen)594

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

See the discussions under Items 5.A. and 5.B. of this Annual Report.

E. Off-balance-sheet Arrangements

See the discussion under "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources."

F. Tabular Disclosure of Contractual Obligations

See the discussion under "Item 5.B. Operating and Financial Review and Prospects--Liquidity and Capital Resources."

G. Safe Harbor

See the discussion under "Forward-Looking Statements."

Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

The following table sets forth the members of our board of directors as of August 6, 2004, together with their respective dates of birth and positions.

Name	Date of Birth	Position at MTFG	Previous or Current Positio
Haruya Uehara	July 25, 1946	Director, Chairman and Co-Chief Executive Officer	President of Mitsubishi Trust
Nobuo Kuroyanagi	December 18, 1941	Director, President and Chief Executive Officer	President of Bank of Tokyo-Mitsubishi
Tatsunori Imagawa	October 15, 1943	Director, Deputy President and Chief Planning Officer	Former Senior Managing Directo of Bank of Tokyo-Mitsubishi
Asataro Miyake	July 10, 1944	Senior Managing Director and Chief Risk Management Officer	Director of Mitsubishi Trust B
Hajime Sugizaki	April 3, 1945	Senior Managing Director and	Director of Bank of Tokyo-

		Chief Financial Officer	Mitsubishi
Shigemitsu Miki	April 4, 1935	Director	Chairman of Bank of Tokyo-Mitsubishi
Akio Utsumi	September 7, 1942	Director	Chairman of Mitsubishi Trust Bank
Tetsuo Iwata	April 30, 1948	Director	Managing Director of Bank of Tokyo-Mitsubishi
Kinya Okauchi	September 10, 1951	Director	Managing Director of Mitsubish Trust Bank
Ryotaro Kaneko	June 20, 1941	Director	President of Meiji Yasuda Life Insurance Company
Takuma Otoshi	October 17, 1948	Director	President of IBM Japan, Ltd.

The following is a brief biography of each of our directors:

Haruya Uehara has been the chairman of the board of directors and co-chief executive officer since June 2004. He has been a director since June 2003. He has also been the president of Mitsubishi Trust Bank since April 2004. He served as a deputy president of Mitsubishi Trust Bank from June 2002 to April 2004 and as a senior managing director of Mitsubishi Trust Bank from June 2001 to June 2002. Mr. Uehara served as a managing director of Mitsubishi Trust Bank from June 1998 to June 2001 and as a director of Mitsubishi Trust Bank from June 1996 to June 1998.

Nobuo Kuroyanagi has been the president and chief executive officer since June 2004. He has been a director since June 2003. He has also been the president of Bank of Tokyo-Mitsubishi since June 2004. He served as a deputy president of Bank of Tokyo-Mitsubishi from June 2002 to June 2004 and as a managing director of Bank of Tokyo-Mitsubishi from June 1996 to June 2002, during which period he also served as a board member from June 1996 to June 2001. Mr. Kuroyanagi served as a director of Bank of Tokyo-Mitsubishi from June 1992 to June 1996.

Tatsunori Imagawa has been a director, deputy president and chief planning officer since April 2004. He served previously as a senior managing director and chief planning officer from May 2003 to April 2004 and as a director from April 2001 to May 2003. He served as a senior managing director of Bank of Tokyo-Mitsubishi from June 2002 to May 2003 and as a managing director of Bank of Tokyo-Mitsubishi from May 1997 to June 2002. Mr. Imagawa served as a director of Bank of Tokyo-Mitsubishi from June 1993 to May 1997.

Asataro Miyake has been a senior managing director and chief risk management officer since June 2003. Before that date, he served as a managing director of Bank of Tokyo-Mitsubishi since June 1998, during which period he also served as a board member from June 1998 to June 2001 and from June 2002 to June 2003. He has also served as a director of Mitsubishi Trust Bank since June 2004. Mr. Miyake served as a director of Bank of Tokyo-Mitsubishi from June 1995 to June 1998.

Hajime Sugizaki has been a senior managing director and chief financial officer since April 2004. He served as a director from April 2001 to March 2004. He has also served as a director of Bank of Tokyo-Mitsubishi since June 2004. He served as a senior managing director of Mitsubishi Trust Bank from June 2001 to March 2004 and as a managing director of Mitsubishi Trust Bank from June 1999 to June 2001. Mr. Sugizaki served as a director of Mitsubishi Trust Bank from June 1997 to June 1999.

Shigemitsu Miki has been a director since April 2001. He served as the

president from April 2001 to June 2004, during which period he also served as the chief executive officer from April 2002 to June 2004 and as co-chief executive officer from April 2001 to April 2002. He has also been the chairman of Bank of Tokyo-Mitsubishi since June 2004. He served as the president of Bank of Tokyo-Mitsubishi from June 2000 to June 2004 and as a deputy president of Bank of Tokyo-Mitsubishi from May 1997 to June 2000. He served as a senior managing director of Bank of Tokyo-Mitsubishi from June 1994 to May 1997 and as a managing director of Bank of Tokyo-Mitsubishi from June 1989 to June 1994. Mr. Miki served as a director of Bank of Tokyo-Mitsubishi from June 1986 to June 1989.

Akio Utsumi has been a director since April 2001. He served as the chairman of the board of directors and co-chief executive officer from April 2001 to June 2004. He has also been the chairman of Mitsubishi Trust Bank since April 2004. He served as the president of Mitsubishi Trust Bank from June 1999 to March 2004 and as a deputy president of Mitsubishi Trust Bank from June 1998 to June 1999. He served as a senior managing director of Mitsubishi Trust Bank from June 1995 to June 1998 and as a managing director of Mitsubishi Trust Bank from June 1993 to June 1995. Mr. Utsumi served as a director of Mitsubishi Trust Bank from June 1991 to June 1993.

Tetsuo Iwata has been a director since June 2003. He has also been a managing director of Bank of Tokyo-Mitsubishi since May 2004 and has served as a board member since June 2003. Mr. Iwata served as a director of Bank of Tokyo-Mitsubishi from June 1999 to May 2003, during which period he also served as a board member from June 1999 to June 2001.

Kinya Okauchi has been a director since June 2004. He has also been a managing director of Mitsubishi Trust Bank since April 2003 and a board member of Mitsubishi Trust Bank since March 2004. Mr. Okauchi served as a director of Mitsubishi Trust Bank from June 2001 to April 2003.

Ryotaro Kaneko has been a director since April 2001. He has also been the president of Meiji Yasuda Life Insurance Company since January 2004. Mr. Kaneko served as the president of Meiji Life Insurance Company from April 1998 to December 2003 and as a senior managing director of Meiji Life Insurance Company from April 1997 to April 1998. Mr. Kaneko served as a managing director of Meiji Life Insurance Company from April 1994 to April 1997.

Takuma Otoshi has been a director since June 2004. He has also been the president of IBM Japan, Ltd. since December 1999 and CEO of IBM Japan, Ltd. since March 2003. He served as a Managing Director of IBM Japan, Ltd. from March 1997 to December 1999 and as a director of IBM Japan, Ltd. from March 1994 to March 1997.

The following table sets forth our corporate auditors as of August 6, 2004, together with their respective dates of birth and positions.

Name	Date of Birth	Position at MTFG	Previous or Current Position
Setsuo Uno	April 29, 1942	Corporate Auditor	Corporate Auditor of Bank of Tokyo-Mitsubishi
Yosuke Serizawa	September 9, 1943	Corporate Auditor	Corporate Auditor of Mitsubishi Trust Bank
Mitsuo Minami	November 5, 1933	Corporate Auditor	Professor, Department of Business

			Administration, Bunkyo Gakuin University (Former Chairman & Chief Executive Officer of Tohmatsu & Co.)
Takeo Imai	January 29, 1942	Corporate Auditor	Attorney-at-law
Kunio Ishihara	October 17, 1943	Corporate Auditor	President of The Tokio Marine & Fire Insurance Co., Ltd. President of Millea Holdings, Inc.

The following is a brief biography of each of our corporate auditors:

Setsuo Uno has been a corporate auditor since June 2003. He has also been a corporate auditor of Bank of Tokyo-Mitsubishi since June 2003. He served as a senior managing director from April 2001 to June 2003. He served as a managing director of Bank of Tokyo-Mitsubishi from May 1997 to March 2001. Mr. Uno served as a director of Bank of Tokyo-Mitsubishi from June 1992 to May 1997.

Yosuke Serizawa has been a corporate auditor since April 2001. He has also been a corporate auditor of Mitsubishi Trust Bank since June 1999. Mr. Serizawa served as a director of Mitsubishi Trust Bank from June 1995 to June 1999.

Mitsuo Minami has been a corporate auditor since April 2001. He served as a corporate auditor of Bank of Tokyo-Mitsubishi from June 2001 to June 2004. He has also been a professor in the Department of Business Administration at Bunkyo Gakuin University since April 1999. Mr. Minami served as chairman and chief executive officer of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu (a Japanese member firm of Deloitte Touche Tohmatsu, Swiss Verein)) from May 1995 to May 1997.

Takeo Imai has been a corporate auditor since April 2001. He has been a partner of the law firm Miyake, Imai & Ikeda since January 1972.

Kunio Ishihara has been a corporate auditor since June 2004. He served as a director from June 2002 to June 2004. He has also been the president of The Tokio Marine & Fire Insurance Co., Ltd. since June 2001, and the president of Millea Holdings, Inc. since April 2002. Mr. Ishihara served as a senior managing director of The Tokio Marine & Fire Insurance Co., Ltd., from June 2000 to June 2001 and served as a managing director of The Tokio Marine & Fire Insurance Co., Ltd., from June 1998 to June 2000.

The following table sets forth our executive officers as of August 6, 2004, together with their respective dates of birth and positions.

Name	Date of Birth	Position at MTFG	Previous or Current Positi
Katsunori Nagayasu	April 6, 1947	Managing Officer, Group Head of Integrated Corporate Banking Business Group	Managing Director of Bank o Tokyo-Mitsubishi, Chief Executive of Commercial Banking Busine Unit
Ryuichi Murata	April 12, 1948	Managing Officer, Group Head of Integrated Retail Banking Business Group	Managing Director of Bank o Tokyo-Mitsubishi, Chief Executive of Retail Banking Business Unit
Toshio Goto	March 8, 1952	Managing Officer,	Managing Director of Mitsub

		Group Head of Integrated Trust Assets Business Group	Trust Bank
Yoshihiro Watanabe	July 26, 1947	Managing Officer, Deputy Group Head of Integrated Corporate Banking Business Group	Managing Director of Bank o Tokyo-Mitsubishi, Chief Executive of Global Corporate Banking Busines Unit
Noriaki Hanamizu	September 11, 1947	Managing Officer, Deputy Group Head of Integrated Retail Banking Business Group	Senior Managing Director of Mitsubishi Trust Bank
Shinichi Ono	July 4, 1949	Managing Officer, Deputy Group Head of Integrated Corporate Banking Business Group	Managing Director of Mitsub Trust Bank
Fumiyuki Akikusa	October 9, 1949	Managing Officer, Deputy Group Head of Integrated Trust Assets Business Group	Managing Director of Bank o Tokyo-Mitsubishi, Chief Executive of Invest Banking & Asset Managemen Business Unit
Izumi Tamai	May 5, 1949	Executive Officer, General Manager of Comprehensive Card Division of Integrated Retail Banking Business Group	Non-board member Managing Director of Bank of Tokyo Mitsubishi, General Manager of Strategical Comprehensive Card&Credit Division
Hajime Mita	December 15, 1950	Executive Officer, General Manager of Retail Business Development Division and Deputy General Manager of Comprehensive Card Division of Integrated Retail Banking Business Group	Non-board member Director o Mitsubishi Trust Bank, General Manager of Person Banking Division
Junichi Ito	November 26, 1950	Executive Officer, General Manager of Credit & Investment Management Planning Division	Non-board member Director o Bank of Tokyo-Mitsubishi, General Manager of Credit Policy Office

Name	Date of Birth	Position at MTFG	Previous or Current Positio
Yukio Muro	January 13, 1953	Executive Officer, General Manager of Trust Business Planning Division and Co-General Manager of Corporate Business Planning Division of Integrated Corporate Banking Business Group	Non-board member Director of Mitsubishi Trust Bank, General Manager of Corpora Finance Strategy Division
Masami Mizuno	March 19, 1953	Executive Officer, General Manager of Corporate Business Development Division No.2 of Integrated Corporate Banking Business Group	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Corpora Business Development Division No.2

Tetsuya Wada	March 1, 1954	Executive Officer, General Manager of Retail Business Planning Division of Integrated Retail Banking Business Group	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Retail Banking Planning Office
Masaaki Tanaka	April 1, 1953	Executive Officer, General Manager of Corporate Business Development Division No.1 of Integrated Corporate Banking Business Group	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Corpora Business Development Division No.1 and General Manager of Corporate Banki Division No.3, Corporate Banking Group
Takashi Kimura	September 1, 1954	Executive Officer, General Manager of Corporate Business Planning Division and Co-General Manager of Trust Business Planning Division of Integrated Corporate Banking Business Group	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Corpora Business Planning Division
Nobuyuki Hirano	October 23, 1951	Executive Officer, Co-General Manager of Corporate Policy Division	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Corpora Planning Office
Kazuhiko Hasegawa	June 5, 1952	Executive Officer, Co-General Manager of Retail Business Development Division of Integrated Retail Banking Business Group	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Retail Banking Development Division
Norio Kuroiwa	September 26, 1952	Executive Officer, Co-General Manager of Corporate Risk Management Division	Non-board member Director of Bank of Tokyo-Mitsubishi, General Manager of Corpora Risk Management Office
Tatsuo Taki	October 7, 1952	Executive Officer, Co-General Manager of Corporate Risk Management Division	Non-board member Director of Mitsubishi Trust Bank, General Manager of Corpora Risk Management Division

Name	Date of Birth	Position at MTFG	Previous or Current Position
Toshiaki Kajiura	April 8, 1953	Executive Officer, Co-General Manager of Asset Management and Administration Planning Division of Integrated Trust Assets Business Group	Non-board member Director of Mitsubishi Trust Bank, General Manager of Investment Research & Planning Division
Taihei Yuki	October 3, 1952	Executive Officer, Co-General Manager of Corporate Policy Division	Non-board member Director of Mitsubishi Trust Bank, General Manager of Corporate Planning Division

The following is a brief biography of each of our executive officers:

Katsunori Nagayasu has been a managing officer and group head of the Integrated Corporate Banking Business Group since April 2004. He served as a director from April 2001 to June 2004. He has also been a managing director of Bank of Tokyo-Mitsubishi since June 2002 and has been a chief executive of the Commercial Banking Business Unit of Bank of Tokyo-Mitsubishi since May 2004. He served as a managing director of Nippon Trust Bank from June 2000 to September 2001, then as a managing director of Mitsubishi Trust Bank from October 2001 to June 2002 after the merger of Nippon Trust Bank into Mitsubishi Trust Bank. Mr. Nagayasu served as a director of Bank of Tokyo-Mitsubishi from June 1997 to June 2000.

Ryuichi Murata has been a managing officer and group head of the Integrated Retail Banking Business Group since April 2004. He has also been a managing director of Bank of Tokyo-Mitsubishi since June 2003 and a chief executive of the Retail Banking Business Unit of Bank of Tokyo-Mitsubishi since May 2003. He served as a non-board member managing director of Bank of Tokyo-Mitsubishi from May 2002 to June 2003. Mr. Murata served as a director of Bank of Tokyo-Mitsubishi from June 1998 to May 2002, during which period he also served as a board member from June 1998 to June 2001.

Toshio Goto has been a managing officer and group head of the Integrated Trust Assets Business Group since April 2004. He has also been a managing director of Mitsubishi Trust Bank since March 2004. Mr. Goto served as a non-board director of Mitsubishi Trust Bank from June 2002 to March 2004.

Yoshihiro Watanabe has been a managing officer and deputy group head of the Integrated Corporate Banking Business Group since April 2004. He has also been a managing director of Bank of Tokyo-Mitsubishi since June 2004 and a chief executive of the Global Corporate Banking Business Unit since May 2004. He served as a non-board member managing director of Bank of Tokyo-Mitsubishi from June 2001 to June 2004 and as a managing director of Bank of Tokyo-Mitsubishi from May 2001 to June 2001. Mr. Watanabe served as a director of Bank of Tokyo-Mitsubishi from June 1997 to May 2001.

Noriaki Hanamizu has been a managing officer and deputy group head of the Integrated Retail Banking Business Group since April 2004. He has also been a senior managing director of Mitsubishi Trust Bank since March 2004. He served as a non-board member managing director of Mitsubishi Trust Bank from June 2001 to March 2004. Mr. Hanamizu served as a director of Mitsubishi Trust Bank from June 1998 to June 2001.

Shinichi Ono has been a managing officer and deputy group head of the Integrated Corporate Banking Business Group since April 2004. He has also been a managing director of Mitsubishi Trust Bank since March 2004. He has served as a non-board member managing director of Mitsubishi Trust Bank from June 2002 to March 2004. Mr. Ono served as a director of Mitsubishi Trust Bank from June 2000 to June 2002, during which period he also served as a board member of Mitsubishi Trust Bank from June 2000 to June 2001.

Fumiyuki Akikusa has been a managing officer and deputy group head of the Integrated Trust Assets Business Group since April 2004. He has also been a managing director of Bank of Tokyo-Mitsubishi since June 2004 and

a chief executive of the Investment Banking & Asset Management Business Unit since May 2004. He served as a non-board member managing director of Tokyo-Mitsubishi from May 2003 to May 2004. Mr. Akikusa served as a director of Bank of Tokyo-Mitsubishi from June 2000 to May 2003, during which period he

also served as a board member of Bank of Tokyo-Mitsubishi from June 2000 to June 2001.

Izumi Tamai has been an executive officer and general manager of the Comprehensive Card Division of the Integrated Retail Banking Business Group since April 2004. He has also been a non-board member managing director of Bank of Tokyo-Mitsubishi since May 2004 and a general manager of the Strategical Comprehensive Card&Credit Division since November 2003. Mr. Tamai served as a director of Bank of Tokyo-Mitsubishi from June 2000 to May 2004, during which period he also served as a board member of Tokyo-Mitsubishi Bank from June 2000 to June 2001.

Hajime Mita has been an executive officer, manager of the Retail Business Development Division and deputy general manager of the Comprehensive Card Division of the Integrated Retail Banking Business Group since April 2004. He has also been a non-board member director of Mitsubishi Trust Bank since June 2003. Mr. Mita has been a general manager of the Personal Banking Division of Mitsubishi Trust Bank since April 2003.

Junichi Ito has been an executive officer and general manager of the Credit & Investment Management Division since April 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2002. Mr. Ito has been a general manager of the Credit Policy Office of Tokyo-Mitsubishi Bank since May 2003.

Yukio Muro has been an executive officer, general manager of the Trust Business Planning Division and co-general manager of the Corporate Business Planning Division of the Integrated Corporate Banking Business Group since April 2004. He has also been a non-board member director of Mitsubishi Trust Bank since June 2003. Mr. Muro has been a general manager of the Corporate Finance Strategy Division of Mitsubishi Trust Bank since April 2003.

Masami Mizuno has been an executive officer and general manager of Corporate Business Development Division No.2 of the Integrated Corporate Banking Business Group since April 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2002. Mr. Mizuno has been a general manager of Corporate Business Development Division No.2 of Bank of Tokyo-Mitsubishi since April 2004.

Tetsuya Wada has been an executive officer and general manager of the Retail Business Planning Division of the Integrated Retail Banking Business Group since April 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2003. Mr. Wada has been a general manager of the Retail Banking Planning Office of Bank of Tokyo-Mitsubishi since June 2001.

Masaaki Tanaka has been an executive officer since June 2004 and a general manager of Corporate Business Development Division No.1 of the Integrated Corporate Banking Business Group since May 2004. He has also been a general manager of Corporate Business Development Division No.1 of Bank of Tokyo-Mitsubishi since May 2004 and a general manager of Corporate Banking Division No.3 of the Corporate Banking Group of Bank of Tokyo-Mitsubishi since July 2004. Mr. Tanaka has been a non-board member director of Bank of Tokyo-Mitsubishi since June 2004.

Takashi Kimura has been an executive officer since June 2004 and a general manager of the Corporate Business Planning Division and co-general manager of the Trust Business Planning Division of the Integrated Corporate Banking Business Group since April 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2004. Mr. Kimura has been a general manager of the Corporate Business Planning Division of Bank of Tokyo-Mitsubishi since April 2004.

Nobuyuki Hirano has been an executive officer and co-general manager of the Corporate Policy Division since July 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2001. Mr. Hirano has been a general manager of the Corporate Planning Office of Bank of Tokyo-Mitsubishi since May 2004.

Kazuhiko Hasegawa has been an executive officer and co-general manager of the Retail Business Development Division of the Integrated Retail Banking Business Group since April 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2002. Mr. Hasegawa has been a general manager of the Retail Banking Development Division of Bank of Tokyo-Mitsubishi since November 2003.

Norio Kuroiwa has been an executive officer and co-general manager of the Corporate Risk Management Division since April 2004. He has also been a non-board member director of Bank of Tokyo-Mitsubishi since June 2003. Mr. Kuroiwa has been a general manager of the Corporate Risk Management Office of Bank of Tokyo-Mitsubishi since May 2002.

Tatsuo Taki has been an executive officer since June 2004 and a co-general manager of the Corporate Risk Management Division since May 2004. He has also been a non-board member director of Mitsubishi Trust Bank since June 2004. Mr. Taki has been a general manager of the Corporate Risk Management Division of Mitsubishi Trust Bank since May 2004.

Toshiaki Kajiura has been an executive officer since June 2004 and a co-general manager of the Asset Management and Administration Planning Division of the Integrated Trust Assets Business Group since April 2004. He has also been a non-board member director of Mitsubishi Trust Bank since June 2004. Mr. Kajiura has been a general manager of the Investment Research & Planning Division of Mitsubishi Trust Bank since March 2004.

Taihei Yuki has been an executive officer and co-general manager of the Corporate Policy Division since July 2004. He has also been a non-board member director of Mitsubishi Trust Bank since June 2004. Mr. Yuki has been a general manager of the Corporate Planning Division of Mitsubishi Trust Bank since April 2003.

The board of directors, executive officers and corporate auditors may be contacted through our headquarters at Mitsubishi Tokyo Financial Group, Inc., 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan.

All directors and corporate auditors were elected at a general meeting of shareholders. All executive officers were appointed by resolution of the board of directors. The regular term of office of a director and an executive officer is two years and that of a corporate auditor is four years from the date of assumption of office. However, the term of office of a corporate auditor elected before the general meeting of shareholders held on June 2003 is three years. Directors, executive officers and corporate auditors may serve their terms until the close of the annual general meeting of shareholders held in the last year of their terms. Directors, executive officers and corporate auditors may serve any number of consecutive terms. There is no regular term of office for other corporate officers. None of our directors is party to a service contract with Mitsubishi Tokyo Financial Group, Inc. or any of its subsidiaries that provides for benefits upon termination of employment.

B. Compensation

The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries during the year ended March 31, 2004 to our directors and corporate auditors was (Yen)310 million and (Yen)77 million, respectively.

In accordance with customary Japanese practice, when a director or corporate auditor retires, a proposal to pay a retirement allowance is submitted at the annual ordinary general meeting of shareholders for approval. After the shareholders' approval is obtained, the retirement allowance for a director or corporate auditor is fixed by the board of directors or by consultation among the corporate auditors in accordance with our internal regulations and practice and generally reflects the position of the director or corporate auditor at the time of retirement, the length of his service as a director or corporate auditor and his contribution to our performance. Mitsubishi Tokyo Financial Group, Inc. does not set aside reserves for any such retirement payments for directors and corporate auditors. The aggregate amount of allowance paid by Mitsubishi Tokyo Financial Group, Inc. and our subsidiaries during the fiscal year ended March 31, 2004 to our directors and corporate auditors who have retired was (Yen)334 million and (Yen)201 million, respectively.

Mitsubishi Tokyo Financial Group, Inc. has not implemented a stock option plan. Two of Mitsubishi Tokyo Financial Group, Inc.'s subsidiaries, Mitsubishi Securities and UNBC, have several stock-based compensation plans. Mitsubishi Tokyo Financial Group, Inc. does not have a pension foundation, although each of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank does have a pension foundation.

As of August 6, 2004, our directors, corporate auditors and senior management held the following numbers of shares of our common stock:

Directors	Number of Shares Registered
Haruya Uehara	13
Nobuo Kuroyanagi	26
Tatsunori Imagawa	25
Asataro Miyake	16
Hajime Sugizaki	11
Shigemitsu Miki	49
Akio Utsumi	12
Tetsuo Iwata	9
Kinya Okauchi	6
Ryotaro Kaneko	--
Takuma Otoshi	3

Corporate Auditors	Number of Shares Registered
Setsuo Uno	24
Yosuke Serizawa	12
Mitsuo Minami	10
Takeo Imai	--
Kunio Ishihara	--

Number of Shares

Executive Officers	Registered
Katsunori Nagayasu	4
Ryuichi Murata	6
Toshio Goto	5
Yoshihiro Watanabe	24
Noriaki Hanamizu	12
Shinichi Ono	5
Fumiyuki Akikusa	8
Izumi Tamai	9
Hajime Mita	1
Junichi Ito	3
Yukio Muro	5
Masami Mizuno	6
Tetsuya Wada	--
Masaaki Tanaka	1
Takashi Kimura	11
Nobuyuki Hirano	12
Kazuhiko Hasegawa	10
Norio Kuroiwa	9
Tatsuo Taki	1
Toshiaki Kajiura	2
Taihei Yuki	7

C. Board Practices

Our Articles of Incorporation provide for a board of directors of not more than fifteen members and not more than six corporate auditors. Our corporate officers are responsible for executing our business operations, and our directors oversee these officers and set our fundamental strategies.

We currently have eleven directors. Our board of directors has ultimate responsibility for the administration of our affairs. Our board of directors is empowered to appoint by resolution representative directors from among the directors who may represent us severally. Our board of directors may also appoint from their members by resolution a chairman, a president, deputy presidents, senior managing directors and managing directors. Senior managing directors and the managing directors assist the president and deputy presidents, if any, in the management of our day-to-day business.

Under the Commercial Code of Japan, directors must refrain from engaging in any business that is in competition with us unless approved by a board resolution, and no director may vote on a proposal, arrangement or contract in which that director is deemed to be materially interested.

Neither the Commercial Code nor our Articles of Incorporation contain special provisions as to the borrowing power exercisable by a director, to the retirement age of our directors and corporate auditors or to a requirement of our directors and corporate auditors to hold any shares of our capital stock.

The Commercial Code requires a resolution of the board of directors for a company to acquire or dispose of material assets, to borrow substantial amounts of money, to employ or discharge important employees, such as executive officers, and to establish, change or abolish material corporate organizations, such as a branch office.

We currently have five corporate auditors, including two external corporate

auditors. Our corporate auditors, who are not required to be certified public accountants, have various statutory duties, including principally:

.. the examination of the financial statements, business reports, proposals and other documents which our board of directors prepares and submits to a general meeting of shareholders;

.. the examination of our directors' administration of our affairs; and

.. the preparation and submission of a report on their examination to a general meeting of shareholders.

Our corporate auditors are obliged to attend meetings of our board of directors. They may make statements at the meetings if they deem necessary, although they are not entitled to vote at the meetings. The Law Concerning Special Exceptions from the Commercial Code Relating to Audit, etc. of Joint-Stock Corporations provides that there may not be less than three corporate auditors. One or more corporate auditors, who are required to serve on a full-time basis, must be designated by the corporate auditors from among their members. At least one of the corporate auditors must be a person who has not been an employee or a director of Mitsubishi Tokyo Financial Group, Inc. or any of its subsidiaries within the previous five years. After the close of the annual ordinary general meeting of shareholders to be held in June 2006, at least half of our corporate auditors must be "external corporate auditors" who have not been an employee or a director of Mitsubishi Tokyo Financial Group, Inc. or any of its subsidiaries within the previous five years.

For additional information on our board practices, see "Item 6.A. Directors and Senior Management."

D. Employees

As of March 31, 2004, we had approximately 43,600 employees, compared to approximately 44,500 as of March 31, 2003 and 43,020 as of March 31, 2002. In addition, as of March 31, 2004, we had approximately 13,500 part-time and temporary employees. The following tables show the percentages of our employees in our different business units and geographically, as of March 31, 2004. Most of our employees are members of our employee's union, which negotiates on behalf of employees in relation to remuneration and working conditions. In general, we consider labor relations with our employees to be good.

Business unit	
Bank of Tokyo-Mitsubishi:	
Retail Banking	17%
Commercial Banking	8
Global Corporate Banking	12
Investment Banking and Asset Management	12
UnionBanCal Corporation	24
Operation Services	4
Treasury	1
Other units	6

Business unit	

Mitsubishi Trust Bank:	
Trust-Banking	7
Trust Assets	3
Real Estate	1
Global Markets	2
Administration and subsidiaries	3
	100%

Location

Bank of Tokyo-Mitsubishi:	
Japan	51%
United States	25
Europe	2
Asia/Oceania excluding Japan	5
Other areas	1
Mitsubishi Trust Bank:	
Japan	15
United States	0
Europe	0
Asia/Oceania excluding Japan	0
	100%

E. Share Ownership

The information required by this item is set forth in "Item 6.B. Compensation."

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

Common Stock

As of March 31, 2004, we had 169,784 registered shareholders of common stock. The ten largest holders of our common stock appearing on the register of shareholders as of March 31, 2004, and the number and the percentage of such shares held by them, were as follows:

Name	Number of shares held	Percentage of total shares in issue
Japan Trustee Services Bank, Ltd./(1)/	409,587	6.32%
Master Trust Bank of Japan, Ltd./(1)/	309,743	4.78
State Street Bank and Trust Company	214,610	3.31
Hero & Co./(2)/	178,419	2.75
Meiji Yasuda Life Insurance Company/(3)/	175,000	2.70
The Tokio Marine and Fire Insurance Co., Ltd	146,859	2.26
Nippon Life Insurance Company	127,869	1.97

Mitsubishi Heavy Industries, Ltd./(4)/.....	118,740	1.83
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account.....	80,619	1.24
Mellon Bank Treaty Clients Omnibus.....	66,536	1.02
Total.....	1,827,982	28.22%

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(1) Includes the shares held in trust accounts, which do not disclose the names of beneficiaries.
(2) An owner of record for American Depositary Shares of the company.
(3) These shares are those held in a pension trust account with Master Trust Bank of Japan, Ltd. for the benefit of retirement plans with voting rights retained by Meiji Yasuda Life Insurance Company.
(4) These shares are those held in a pension trust account with Master Trust Bank of Japan, Ltd. for the benefit of retirement plans with voting rights retained by Mitsubishi Heavy Industries, Ltd.

At March 31, 2004, 230.38 shares, representing less than 0.01% of the outstanding common stock, were held by our directors and corporate auditors.

At March 31, 2004, 775,888.64 shares, representing 11.98% of our outstanding common stock, were owned by 221 U.S. shareholders of record who are residents of the United States (and a non-resident of Japan), one of whom is the ADR depository's nominee holding 178,419.00 shares, or 2.75% of our outstanding common stock.

Preferred Shares

The ten largest holders of our class 1 preferred shares, which are non-voting, appearing on the register of shareholders as of March 31, 2004, and the number and the percentage of such shares held by them, were as follows:

Name	Number of shares held	Percentage of total shares in issue
The Tokio Marine & Fire Insurance Co., Ltd.	16,700	20.51%
Mitsubishi Corporation.....	16,700	20.51
Meiji Yasuda Life Insurance Company.....	16,700	20.51
Kirin Brewery Co., Ltd.....	10,000	12.28
Asahi Glass Co., Ltd.....	3,400	4.17
Diamond Lease Company Limited.....	3,400	4.17
Tokyu Corporation.....	3,400	4.17
Honda Motor Co., Ltd.....	3,400	4.17
Mitsubishi Chemical Corporation.....	2,000	2.45
Mitsubishi Electric Corporation.....	1,700	2.08
Total.....	77,400	95.08%

The holders of our class 2 preferred shares, which are non-voting, appearing on the register of shareholders as of March 31, 2004, and the number and the percentage of such shares held by them, were as follows:

Name	Number of shares held	Percentage of total shares in issue
Meiji Yasuda Life Insurance Company	10,000	66.66%
Asahi Glass Co., Ltd.	2,500	16.66
Tokyu Corporation	2,500	16.66
Total	15,000	100.00%

B. Related Party Transactions

We and our subsidiary banks had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although for the fiscal year ended March 31, 2004, such transactions included, but were not limited to, call money, loans, electronic data processing, leases and management of properties, those transactions were immaterial and were made at prevailing market rates, terms and conditions and do not involve more than the normal risk of collectibility or present other unfavorable features.

None of our directors or executive officers or corporate auditors, and none of the close members of their respective families, has had any transactions or has any presently proposed transactions that are material or any transactions that are unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which we were, are or will be a party.

No loans have been made to our directors or executive officers or corporate auditors other than in the normal course of business, on normal commercial terms and conditions. In addition, since July 2002, no loans have been made to our directors or executive officers or corporate auditors other than as permitted under Section 13(k) of the U.S. Securities Exchange Act and Rule 13k-1 promulgated thereunder.

No family relationship exists among any of our directors or executive officers or corporate auditors. No arrangement or understanding exists between any of our directors or executive officers or corporate auditors and any other person pursuant to which any director or executive officers or corporate auditor was elected to their position at Mitsubishi Tokyo Financial Group, Inc.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report and in "Selected Statistical Data" starting on page A-1 of this Annual Report.

Legal Proceedings

From time to time, we are involved in various litigation matters. Based on our current knowledge and consultation with legal counsel, we believe the current litigation matters, when ultimately determined, will not have a material

adverse effect on our results of operations and financial position.

Distributions

Our board of directors submits a recommendation for an annual dividend for our shareholders' approval at the ordinary general meeting of shareholders customarily held in June of each year. The annual dividend is usually distributed immediately following shareholders' approval to holders of record at the end of the preceding fiscal

year. In addition to annual dividends, we may make cash distributions by way of interim dividends to shareholders of record as of September 30 of each year from our retained earnings as of the end of the preceding fiscal year by resolution of our board of directors. On June 29, 2004, we paid an annual dividend of (Yen)6,000 per share of common stock for the fiscal year ended March 31, 2004.

Under the Japanese foreign exchange regulations currently in effect, dividends paid on shares held by non-residents of Japan may be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which ADSs are issued, the depositary is required, to the extent that in its judgment it can convert Japanese yen on a reasonable basis into US dollars and transfer the resulting US dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into US dollars and to distribute the amount received, after deduction of any applicable withholding taxes, to the holders of ADSs. See "Item 10.D. Additional Information--Exchange Controls--Foreign Exchange and Foreign Trade Law."

B. Significant Changes

No significant changes have occurred since the date of our consolidated financial statements included in this Annual Report.

Item 9. The Offer and Listing.

A. Offer and Listing Details

Market Price Information

The following table shows, for the periods indicated, the reported high and low sale prices for shares of our common stock on the Tokyo Stock Exchange and of the ADSs on the New York Stock Exchange. The table also includes high and low market price quotations from the Tokyo Stock Exchange translated in each case into US dollars per ADS at the Federal Reserve Bank of New York's noon buying rate on the relevant date.

	Price per share on the TSE		Translated into US dollars per ADS/(1)/		Pric
	High	Low	High	Low	Hig
	(yen)		(US$)		(
Fiscal year ended March 31, 2002....	(Yen)1,350,000/(2)/	(Yen)688,000	$11.13/(3)/	$5.15	$11.
Fiscal year ended March 31, 2003					

First quarter.....	(Yen)1,060,000	(Yen)770,000	$ 8.52	$6.43	$ 8.
Second quarter.....	925,000	700,000	7.80	5.93	7.
Third quarter.....	901,000	620,000	7.31	5.13	7.
Fourth quarter.....	737,000	438,000	6.25/(4)/	3.74	6.
Fiscal year ended March 31, 2004					
First quarter.....	548,000	351,000	4.57	2.92	4.
Second quarter.....	747,000	475,000	6.44	3.99	6.
Third quarter.....	929,000	672,000	8.48	6.22/(5)/	8.
Fourth quarter.....	1,080,000	770,000	10.24	7.30	10.
Fiscal year ending March 31, 2005					
March.....	1,080,000	842,000	10.24	7.73	10.
April.....	1,110,000	945,000	10.22	8.71	10.
May.....	997,000	800,000	9.10	7.01	9.
June.....	1,030,000	880,000	9.41	7.91	9.
July.....	1,230,000	900,000	11.23	8.30	10.
August.....	1,080,000	911,000	9.75	8.24	9.
September (through September 21).	996,000	938,000	9.09	8.53	9.

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(1) US dollar amounts have been translated, for your convenience, from yen at the Federal Reserve Bank of New York's noon-buying rate as of the relevant high and low market quotation dates.

(2) (Yen)1,350,000 is the high market price quotation for both May 2 and May 7, 2001.

(3) The US dollar amount has been translated, for your convenience, from yen at the rate of (Yen)121.34 = $1.00, which is the Federal Reserve Bank of New York's noon-buying rate as of May 7, 2001.

(4) There was no Federal Reserve Bank of New York noon-buying rate available as of the relevant high market quotation date of January 20, due to a holiday. For your convenience, the US dollar amount has been translated from yen at the rate of (Yen)117.88 = $1.00 which is the noon-buying rate as of January 17, 2003.

(5) There was no Federal Reserve Bank of New York noon-buying rate available as of the relevant low market quotation date of November 11, due to a holiday. For your convenience, the US dollar amount has been translated from yen at the rate of (Yen)107.98 = $1.00 which is the noon-buying rate as of November 10, 2003.

B. Plan of Distribution

Not applicable.

C. Markets

The primary market for our common stock is the Tokyo Stock Exchange, or the TSE. Our common stock is also listed on the Osaka Securities Exchange in Japan and on the Official List of the UK Listing Authority and traded on the market for listed securities on the London Stock Exchange in the United Kingdom. ADSs, each representing one one-thousandth of a share of common stock, are quoted on the New York Stock Exchange, or NYSE, under the symbol, "MTF."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10.Additional Information.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our Corporate Purpose

Article 2 of our Articles of Incorporation provides that our corporate purpose is to carry on the following businesses:

.. administration and management of banks, trust banks, specialized securities companies, insurance companies or other companies which we may own as our subsidiaries under the Japanese Banking Law; and

.. any other business incidental to, or relating to any of, the businesses mentioned in the preceding clause.

Board of Directors

For discussion of the provisions of our Articles of Incorporation as they apply to our directors, see "Item 6.C. Directors, Senior Management and Employees--Board Practices."

Common Stock

We summarize below the material provisions of our Articles of Incorporation, our share handling regulations and the Commercial Code of Japan (Law No. 48 of 1899) as they relate to joint stock companies, also known as kabushiki kaisha. Because it is a summary, this discussion should be read together with our Articles of Incorporation and share handling regulations, which have been filed as exhibits to this Annual Report.

General

A joint stock company is a legal entity incorporated under the Commercial Code. The investment and rights of the shareholders of a joint stock company are represented by shares of stock in the company and shareholders' liability is limited to the amount of the subscription for the shares.

Our authorized common share capital is 22,000,000 shares of common stock with no par value. As of March 31, 2004, a total of 6,476,099.77 shares of common stock (including 2,714 shares of common stock held by Mitsubishi Tokyo Financial Group, Inc. and its consolidated subsidiaries as treasury stock) were issued. Each of the shares issued and outstanding is fully paid and non-assessable. As of March 31, 2004, we were authorized to issue 336,400 shares of preferred stock, including 81,400 class 1 preferred shares, 15,000 class 2 preferred shares, 120,000 class 3 preferred shares and 120,000 class 4 preferred shares. As of March 31, 2004, we had 81,400 class 1 preferred shares, 15,000 class 2 preferred shares and no class 3 or class 4 preferred shares

issued and outstanding. In July 2004, 15,000 shares of class 2 preferred stock were converted into 43,047.89 shares of common stock, resulting in our outstanding class 2 preferred shares to become nil. For a discussion of a recently announced plan to redeem a portion of our preferred shares, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Recent Developments--Notice Concerning Redemption of Our Class 1 Preferred Shares."

We may issue shares from our authorized but unissued share capital following a resolution to that effect by our board of directors. An increase in our authorized share capital is only possible by amendment of our Articles of Incorporation, which generally requires shareholders' approval.

Under the Commercial Code, shares must be registered and are transferable by delivery of share certificates. In order to assert shareholders' rights against us, a shareholder must have its name and address registered on our register of shareholders, in accordance with our share handling regulations. The registered holder of deposited shares underlying the ADSs is the depositary for the ADSs, or its nominee. Accordingly, holders of ADSs will not be able to assert shareholders' rights other than as provided in the agreement between us, the depositary and the holders of the ADSs.

A holder of shares may choose, at its discretion, to participate in the central clearing system for share certificates under the Law Concerning Central Clearing of Share Certificates and Other Securities of Japan. Participating shareholders must deposit certificates representing the shares to be included in this clearing system with the Japan Securities Depository Center, Inc. If a holder is not a participating institution in the Japan Securities Depositary Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Japan Securities Depositary Center. All shares deposited with the Japan Securities Depositary Center will be registered in the name of the Japan Securities Depositary Center on our register of shareholders. Each participating shareholder will in turn be registered on our register of beneficial shareholders and be treated in the same way as shareholders registered on our register of shareholders. Delivery of share certificates is not required to transfer deposited shares. Entry of the share transfer in the books maintained by the Japan Securities Depositary Center for participating institutions, or in the books maintained by a participating institution for its customers, has the same effect as delivery of share certificates. This central clearing system is intended to reduce paperwork required in connection with transfers of shares. Beneficial owners may at any time withdraw their shares from deposit and receive share certificates.

Dividends

Dividends are distributed in proportion to the number of shares owned by each shareholder on the record date for the dividend. Dividends for each financial period may be distributed following shareholders' approval at an ordinary general meeting of shareholders.

Payment of dividends on common stock is subject to the preferential dividend rights of holders of preferred stock.

Under our Articles of Incorporation, our financial accounts are closed on March 31 of each year, and dividends, if any, are paid to shareholders of record at March 31 following shareholders' approval at an ordinary general meeting of shareholders. In addition to year-end dividends, our board of directors may by resolution declare an interim cash dividend to shareholders of record as of

September 30 of each year. Under the Commercial Code and the Banking Law, we may distribute annual or interim dividends only if:

.. we have set aside in our legal reserve an amount equal to at least one-tenth of the annual dividend and any other amount paid by us as an appropriation of retained earnings or of any interim dividend, as the case may be; or

.. the sum of the amount in our legal reserve and additional paid-in capital is at least one-quarter of our stated capital.

We may distribute annual or interim dividends out of the excess of our net assets, on a non-consolidated basis, over the aggregate of:

(1) our stated capital;

(2) our additional paid-in capital;

(3) our accumulated legal reserve;

(4) the legal reserve to be set aside in respect of the dividend concerned and any other proposed payment by way of appropriation of retained earnings;

(5) the excess, if any, of unamortized expenses incurred in preparation for the commencement of business and in connection with research and development over the aggregate of the amounts referred to in (2), (3) and (4) above;

(6) subscription money for new shares, or security money to be applied to such subscription money, if any, recorded on our balance sheet;

(7) if assets are stated at market value on our balance sheet, the excess, if any, of the aggregate market value over the aggregate acquisition cost of those assets; and

(8) the balance, if any, recorded on our balance sheet as a result of reevaluating land which we own for business purposes.

In the case of interim dividends, if we decrease our stated capital or our legal reserve after the preceding fiscal year end, such decreased figures shall be applied to (1) and (3) above.

In the case of interim dividends, net assets are calculated by reference to the balance sheet as of the end of the preceding fiscal year, adjusted to reflect:

(a) any subsequent payment by way of appropriation of retained earnings and transfer to legal reserve in respect of such payment;

(b) any subsequent transfer of retained earnings to stated capital; and

(c) if we have been authorized, pursuant to a resolution of an ordinary general meeting of shareholders or the board of directors, to repurchase our own shares, the total amount of the repurchase price for those shares that may be paid by us.

Interim dividends may not be paid if there is a risk that at the end of the fiscal year, there may not be any excess of net assets over the aggregate of the amounts referred to in (1) through (8) above.

In Japan, the "ex-dividend" date and the record date for any dividends precede the date of determination of the amount of the dividend to be paid. The market price of shares generally becomes ex-dividend on the third business day prior to the record date. Under our Articles of Incorporation, we are not obligated to pay any dividends which are left unclaimed for a period of five years after the date on which they first became payable.

Stock Splits

Stock splits of our outstanding stock may be effected at any time by resolution of the board of directors. When a stock split is to be effected, we may increase the amount of the authorized share capital to cover the stock split by amending our Articles of Incorporation by resolution of the board of directors without approval by special resolution of the general meeting of shareholders, unless more than one class of stock is issued and outstanding. Shareholders will not be required to exchange stock certificates for new stock certificates, but certificates representing the additional stock resulting from the stock split will be issued to shareholders. We must give public notice of the stock split, specifying a record date at least two weeks prior to the record date and, in addition, promptly after the stock split takes effect, give notice to each shareholder specifying the number of shares to which such shareholder is entitled by virtue of the stock split.

Fractional Shares

Fractional shares may arise from, among other things, a stock split or a combination of outstanding shares into a smaller number of shares. A holder of fractional shares constituting one-hundredth of one share or any integral multiple of one-hundredth of one share will be registered in our register of fractional shares. Fractional shares will carry no voting rights, but, pursuant to the Commercial Code and our Articles of Incorporation, the holders of fractional shares will have the right to receive dividends and interim dividends, if any, on their fractional shares. No certificates for fractional shares will be issued and therefore fractional shares will not normally be transferable. However, the registered holders of fractional shares may at any time require us to purchase the fractional shares at the shares' current market price. Also, registered holders of fractional shares may require us to sell them a number of fractional shares, of which number, when combined with the number already held by such holder, shall become one share; provided that such request is met only when we own the necessary number of our shares.

New Unit Share System

Currently, we do not use the new unit share system (tan-gen kabu) which was introduced on October 1, 2001. However, we may use the new unit share system by amending our Articles of Incorporation, which requires shareholders' approval. Under the new unit share system, a company may provide in its articles of incorporation that a unit comprises a specified number of shares that is equal to or less than 1,000 and that does not exceed one-two hundredth of the number of issued shares. A company may provide in its articles of incorporation that the company will not issue certificates representing a number of shares less than a unit. Under the new unit share system, one unit of shares has one voting right. A holder of less than one unit of shares has no voting right. If we adopt the new unit share system, shareholders may require us to purchase shares constituting less than a unit at the current market price. Our board of directors may reduce the number of shares constituting a unit or cease to use the unit share system by amendments to our Articles of Incorporation even though amendments to the Articles of Incorporation generally require a special resolution of the general meeting of shareholders.

General Meeting of Shareholders

The ordinary general meeting of our shareholders is usually held in June of each year in Chiyoda-ku, Tokyo. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders. The record date for ordinary general meetings of our shareholders is March 31.

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six consecutive months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a representative director at least eight weeks prior to the date of the meeting.

Voting Rights

A shareholder has one voting right for each whole share. However, a corporate shareholder may not exercise its voting rights if we hold more than one quarter of the total voting rights with respect to that shareholder. Under our Articles of Incorporation, except as otherwise provided by law or by other provisions of our Articles of Incorporation, a resolution can be adopted at a shareholders' meeting by the holders of a majority of the voting rights represented at the meeting. The Commercial Code and our Articles of Incorporation require a quorum of not less than one third of the total number of voting rights for election of our directors and corporate auditors.

The Commercial Code and our Articles of Incorporation provide that a quorum of not less than one-third of outstanding voting rights, excluding those owned by our subsidiaries and affiliates of which we own, directly or indirectly, more than 25 percent, must be present at a shareholders' meeting to approve specified corporate actions, such as:

.. the amendment of our Articles of Incorporation, except in some limited cases;

.. the removal of a director or corporate auditor;

.. a dissolution, merger or consolidation, except for certain types of mergers;

.. a stock-for-stock exchange or stock-for-stock transfer, except in some limited circumstances;

.. the transfer of the whole or an important part of our business;

.. a reduction of stated capital;

.. a corporate split, except in some limited circumstances;

.. the acquisition of the whole business of another company, except in some limited circumstances;

.. the offering to persons other than shareholders of stock at a specially favorable price, or of stock acquisition rights or bonds or notes with stock acquisition rights with specially favorable conditions; and

.. the repurchase of our own stock from a specific party.

At least two-thirds of the voting rights represented at the meeting must approve these actions.

There is no cumulative voting for the election of directors or corporate auditors.

Subscription Rights

Holders of shares have no preemptive rights under our Articles of Incorporation. Under the Commercial Code, however, our board of directors may determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, these subscription rights must be given on uniform terms to all shareholders as of a specified record date by public notice at least two weeks prior to the record date. A notification to each individual shareholder must also be given at least two weeks prior to the date of expiration of the subscription rights.

Rights to subscribe for new shares may be transferable or non-transferable, as determined by our board of directors. If subscription rights are not transferable, a purported transfer by a shareholder will not be enforceable against us.

Stock Acquisition Rights

We may issue stock acquisition rights (shinkabu yoyakuken), which in the United States are often in the form of warrants, or bonds with stock acquisition rights that cannot be detached (shinkabu yoyakuken-tsuki shasai), which in the United States are often in the form of convertible bonds or bonds with non-detachable warrants. Except where the issuance would be on "specially favorable" terms, the issuance of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of our board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may either acquire shares by paying the applicable exercise price or, if so determined by a resolution of our board of directors, by making a substitute payment, such as having the convertible bonds redeemed for no cash in lieu of the exercise price.

Liquidation Rights

Upon our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and preferred distributions to holders of shares of our preferred stock will be distributed among the holders of our common stock in proportion to the number of shares they own.

Transfer Agent

Mitsubishi Trust Bank is the transfer agent for our common stock. The office of Mitsubishi Trust Bank for this purpose is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212, Japan. Mitsubishi Trust Bank maintains our register of shareholders and our register of lost share certificates, and records transfers of ownership upon presentation of share certificates.

Reports to Shareholders

We furnish to our shareholders notices, in Japanese, of shareholders' meetings, annual business reports, including our financial statements, and notices of resolutions adopted at our shareholders' meetings.

Record Dates and Closing of Shareholders' Register

As stated above, March 31 is the record date for the payment of annual

dividends, if any, and the determination of shareholders entitled to vote at ordinary general meetings of our shareholders. September 30 is the record date for the payment of interim dividends, if any. In addition, by a resolution of our board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date or close the shareholders' register temporarily, for a period not in excess of three months, in order to determine the shareholders who are entitled to the rights pertaining to our shares. The trading of our shares and the delivery of certificates may continue even while the shareholders' register is closed.

Repurchase of Our Shares of Common Stock

We may repurchase our own shares:

.. through the Tokyo Stock Exchange or other stock exchanges on which our shares are listed, if authorized by a resolution of the board of directors;

.. by way of a tender offer, if authorized by a resolution of the board of directors;

.. from a specific party, if authorized by a special resolution of an ordinary general meeting of shareholders; or

.. from subsidiaries, if authorized by a resolution of the board of directors.

When the repurchase is made by us from a specific party, as authorized by a special resolution of an ordinary general meeting of shareholders, any shareholder may make a demand to a director, five days or more prior to the relevant shareholders' meeting, that we also repurchase the shares held by that shareholder.

Repurchase of our own shares pursuant to an authorization of our board of directors must satisfy various specified requirements, including the requirement that the total amount of the repurchase price may not exceed the amount of the retained earnings available for interim dividend payments minus the amount of interim dividends, if paid. If it is anticipated that the net assets on our balance sheet as at the end of the relevant fiscal year will be less than the aggregate amount of the stated capital, additional paid-in capital and other items as described in (1) through (8) in the fourth paragraph under "--Common Stock--Dividends," we may not repurchase our own shares. In case we purchase our own shares pursuant to an authorization of our board of directors, we are required to report the reason by which the repurchase is considered necessary, type and number of shares and the aggregate amount of the repurchases carried out at the first ordinary shareholders' meeting after the repurchase(s) in question.

We may hold our own shares so repurchased without restrictions. In addition, we may cancel or dispose of our own shares that we hold by a resolution of our board of directors. As of March 31, 2004, Mitsubishi Tokyo Financial Group, excluding its subsidiaries, owned 2,061.16 treasury shares.

Preferred Stock

The following is a summary of information concerning the shares of our preferred stock, including brief summaries of the relevant provisions of our Articles of Incorporation, the share handling regulations and the Commercial Code as currently in effect. The detailed rights of our preferred shares are set out in our Articles of Incorporation and the resolutions of our board of

directors relating to the issuance of the relevant stock.

General

Under our Articles of Incorporation, we are authorized to issue four classes of preferred shares. Our preferred shares have equal preference over shares of common stock in respect of dividend entitlements and distribution upon our liquidation, but holders of the preferred shares are not entitled to vote at general meetings of shareholders, subject to the exceptions provided under the Commercial Code. As of March 31, 2004, 81,400 shares of class 1 and 15,000 shares of class 2 preferred shares were outstanding, but there were no class 3 or class 4 preferred shares outstanding. We may, at any time, purchase and redeem, at fair value, any shares of preferred stock outstanding out of earnings available for distribution to shareholders. For a discussion of a recently announced plan to redeem a portion of our preferred shares, see "Item 5.A. Operating and Financial Review and Prospects--Operating Results--Recent Developments--Notice Concerning Redemption of Our Class 1 Preferred Shares."

Class 1 and class 3 preferred shares are not convertible into our common stock but are redeemable at our discretion. We may redeem shares of class 1 preferred shares at (Yen)3,000,000 per share, in whole or in part, on or after January 21, 2004. The redemption terms of class 3 preferred shares will be determined by the board of directors at the time of issuance of class 3 preferred shares. Class 2 and class 4 preferred shares are convertible into our common stock at the option of the holder during a conversion period. At the option of the holders, class 2 preferred shares are convertible into common stock from July 31, 2003 to July 31, 2008 at the conversion price of (Yen)1,357,559.2 per share for July 31, 2003 and (Yen)696,898.5 per share from August 1, 2003 to July 31, 2008. The conversion price will be revised annually on August 1 of each year from 2003 through 2007 to reflect, subject to certain adjustments, the average market closing price of our common stock on the TSE for the 30 business days starting from the 45th business day prior to the date of revision of the conversion price. The conversion price will not exceed the initial conversion price of (Yen)1,357,559.2 nor be below (Yen)696,898.5 unless certain events or circumstances arise. Class 2 preferred shares which are not converted at the option of the holders will be mandatorily converted into common stock on August 1, 2008, at the conversion price determined based on the average market closing price of the common stock traded on the TSE for the 30 business days

starting from the 45th business day prior to the date of mandatory conversion. In the event the average market closing price is below (Yen)714,285, the conversion price will be (Yen)714,285. The conversion terms of class 4 preferred shares will be determined by the board of directors at the time of issuance of class 4 preferred shares.

Preferred Dividends

In priority to the payment of dividends to holders of our common stock, the amount of preferred dividends for class 1 preferred shares is (Yen)82,500 per share per fiscal year and for class 2 preferred shares is (Yen)16,200 per share per fiscal year. The amounts of the preferred dividends for class 3 and class 4 preferred shares are to be set by resolution of our board of directors at the time of issuance. The annual dividend per share may not exceed (Yen)250,000 per share per fiscal year for class 3 preferred shares and (Yen)125,000 per share per fiscal year for class 4 preferred shares. In the event that our board of directors determines to pay an interim dividend to holders of our common stock, we will, in priority to the payment of that interim dividend, pay a preferred interim dividend to holders of our preferred shares and the amount of that

preferred interim dividend will be deducted from the preferred dividend payable on preferred shares in respect of the same fiscal year.

No payment of dividends on our preferred shares or any other shares can be made unless we have sufficient retained earnings and, in the case of annual preferred dividends, the shareholders at the relevant ordinary general meeting of shareholders or, in the case of preferred interim dividends, the board of directors, resolves to distribute the retained earnings.

Dividends on our preferred shares are non-cumulative. If the full amount of any dividend is not declared on our preferred shares in respect of any fiscal year, holders of our preferred shares do not have any right to receive dividends in respect of the deficiency in any subsequent fiscal year, and we will have no obligation to pay the deficiency or to pay any interest whether or not dividends are paid in respect of any subsequent fiscal year. The holders of our preferred shares are not entitled to any further dividends or other participation in or distribution of our profits.

Liquidation Rights

In the event of our voluntary or involuntary liquidation, holders of our preferred shares will be entitled, equally in rank as among themselves, to receive out of our residual assets upon liquidation a distribution of (Yen)3,000,000 per share for class 1 preferred shares, (Yen)2,000,000 per share for class 2 preferred shares and (Yen)2,500,000 per share in the case of each of the class 3 preferred shares and class 4 preferred shares before any distribution of assets is made to holders of our common stock. The holders of our preferred shares are not entitled to any further dividends or other participation in or distribution of our residual assets upon our liquidation.

Voting Rights

No holder of our preferred shares has the right to receive notice of, or to vote at, a general meeting of shareholders, except as otherwise specifically provided under the Commercial Code or other applicable law. Under the Commercial Code, holders of our preferred shares will be entitled to receive notice of, and have one voting right per preferred share at, our general meetings of shareholders:

- from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or

- from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

American Depositary Shares

The Bank of New York will issue the American depositary receipts, or ADRs. Each ADR will represent ownership interests in American depositary shares, or ADSs. Each ADS represents one thousandth of a share of our common stock. Each ADS is held by Bank of Tokyo-Mitsubishi, acting as custodian, at its principal office in Tokyo, on behalf of The Bank of New York, acting as depositary. Each ADS will also represent securities, cash or other property deposited with The Bank of New York but not distributed to ADS holders. The Bank of New York's corporate trust office is located at 101 Barclay Street, New York, New York

10286 and its principal executive office is located at One Wall Street, New York, New York 10286, U.S.A.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Bank of New York will actually be the registered holder of the common stock, so you will have to rely on it to exercise your rights as a shareholder. Our obligations and the obligations of The Bank of New York are set out in a deposit agreement among us, The Bank of New York and you, as an ADS holder. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR.

Share Dividends and Other Distributions

The Bank of New York has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares of common stock or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The Bank of New York will convert any cash dividend or other cash distribution we pay on our common stock into US dollars, if it can do so on a reasonable basis and can transfer the US dollars to the United States. If that is not possible or if any approval from the Japanese government is needed and cannot be obtained, the deposit agreement allows The Bank of New York to distribute the yen only to those ADS holders to whom it is possible to do so. The Bank of New York will hold the yen it cannot convert for the account of the ADS holders who have not been paid. It will not invest the yen and it will not be liable for any interest.

Before making a distribution, any withholding taxes that must be paid under Japanese law will be deducted. See "--Taxation--Japanese Taxation." The Bank of New York will distribute only whole US dollars and cents and will round fractional cents to the nearest whole cent. If the relevant exchange rates fluctuate during a time when The Bank of New York cannot convert the Japanese currency, you may lose some or all of the value of the distribution.

Shares. The Bank of New York may distribute new ADSs representing any shares we may distribute as a dividend or free distribution, if we furnish The Bank of New York promptly with satisfactory evidence that it is legal to do so. The Bank of New York will only distribute whole ADSs. It will sell shares which would require it to issue a fractional ADS and distribute the net proceeds in the same way as it distributes cash dividends. If The Bank of New York does not distribute additional ADSs, each ADS will also represent the new shares.

Rights to receive additional shares. If we offer holders of our common stock any rights to subscribe for additional shares of common stock or any other rights, The Bank of New York may, after consultation with us,

make those rights available to you. We must first instruct The Bank of New York to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or do not give these instructions, and The Bank of New York decides that it is practical to sell the rights, The Bank of New York will sell the rights and distribute the proceeds in the same way as it distributes cash dividends. The Bank of New York may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If The Bank of New York makes rights available to you, upon instruction from you it will exercise the rights and purchase the shares on your behalf. The Bank of New York will then deposit the shares and issue ADSs to you. It will only exercise the rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after the exercise of the rights. For example, you may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York may issue the ADSs under a separate restricted deposit agreement which will contain the same provisions as the deposit agreement, except for changes needed to put the restrictions in place. The Bank of New York will not offer you rights unless those rights and the securities to which the rights relate are either exempt from registration or have been registered under the U.S. Securities Act with respect to a distribution to you. We will have no obligation to register under the Securities Act those rights or the securities to which they relate.

Other distributions. The Bank of New York will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property.

The Bank of New York is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us or The Bank of New York to make them available to you.

Deposit, Withdrawal and Cancellation

The Bank of New York will issue ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will register the appropriate number of ADSs in the names you request and will deliver the ADSs at its corporate trust office to the persons you request.

In certain circumstances, subject to the provisions of the deposit agreement, The Bank of New York may issue ADSs before the deposit of the underlying shares. This is called a pre-release of ADSs. A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of the shares to close out a pre-release. The depositary may pre-release ADSs only on the following conditions:

.. Before or at the time of the pre-release, the person to whom the pre-release is made must represent to the depositary in writing that it or

its customer, as the case may be, owns the shares to be deposited;

.. The pre-release must be fully collateralized with cash or collateral that the depositary considers appropriate;

.. The depositary must be able to close out the pre-release on not more than five business days' notice.

The pre-release will be subject to whatever indemnities and credit regulations that the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of a pre-release.

You may turn in your ADSs at the Corporate Trust Office of The Bank of New York's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will deliver (1) the underlying shares to an account designated by you and (2) any other deposited securities underlying the ADS at the office of the custodian. Or, at your request, risk and expense, The Bank of New York will deliver the deposited securities at its Corporate Trust Office.

The ADSs may only be presented for cancellation and release of the underlying shares of common stock or other deposited securities in multiples of 1,000 ADSs. Holders of ADRs evidencing less than 1,000 ADSs will not be entitled to delivery of any underlying shares or other deposited securities unless such ADRs, together with other ADRs presented by the same holder at the same time, represent in the aggregate at least 1,000 ADSs. If any ADSs are surrendered but not cancelled pursuant to the preceding sentence, The Bank of New York will execute and deliver an ADR or ADRs evidencing the balance of ADSs not so cancelled to the person or persons surrendering the same.

Voting Rights

If you are an ADS holder on a record date fixed by The Bank of New York, you may instruct The Bank of New York to vote the shares underlying your ADSs at a meeting of our shareholders in accordance with the procedures set forth in the deposit agreement.

The Bank of New York will notify you of the upcoming meeting and arrange to deliver our voting materials to you. The notice shall contain (a) such information as is contained in such notice of meeting, (b) a statement that as of the close of business on a specified record date you will be entitled, subject to any applicable provision of Japanese law and our Articles of Incorporation, to instruct The Bank of New York as to the exercise of the voting rights, if any, pertaining to the amount of shares or other deposited securities represented by your ADSs, and (c) a brief statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to The Bank of New York to give a discretionary proxy to a person designated by us. Upon your written request, received on or before the date established by The Bank of New York for such purpose, The Bank of New York shall endeavor in so far as practicable to vote or cause to be voted the amount of shares or other deposited securities represented by your ADSs in accordance with the instructions set forth in your request. So long as Japanese law provides that votes may only be cast with respect to one or more whole shares or other deposited securities, The Bank of New York will aggregate voting instructions to the extent such instructions are the same and vote such whole shares or other deposited securities in accordance with your instructions. If, after aggregation of all instructions to vote received by The

Bank of New York, any portion of the aggregated instructions constitutes instructions with respect to less than a whole share or other deposited securities, The Bank of New York will not vote or cause to be voted the shares or other deposited securities to which such portion of the instructions apply. The Bank of New York will not vote or attempt to exercise the right to vote that attaches to the shares or other deposited securities, other than in accordance with the instructions of the ADS holders.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York to vote your shares. In addition, The Bank of New York is not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions as long as it has acted in good faith. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

Fees and Expenses

ADR holders must pay:	For:
$5.00 (or less) per 100 ADSs (or portion thereof).....	Each issuance of an ADS, including as a r distribution of shares or rights or other Each cancellation of an ADS, including if agreement terminates
$0.02 (or less) per ADSs.....	To the extent permitted by securities exc which the ADSs may be listed for trading payment
Registration or transfer fees.....	Transfer and registration of shares on th register of the foreign registrar from yo name of The Bank of New York or its agent you deposit or withdraw shares
Expenses of The Bank of New York.....	Conversion of foreign currency to US doll telex and facsimile transmission expenses
Taxes and other governmental charges The Bank of New York or Bank of Tokyo-Mitsubishi, as custodian, have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes.....	As necessary

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADSs. The Bank of New York may refuse to transfer your ADSs or allow you to withdraw the deposited securities underlying your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADSs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs

to reflect the sale and pay to you any property remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:

.. reclassify, split up or consolidate any of our shares or the deposited securities,

.. recapitalize, reorganize, merge, liquidate, consolidate or sell all or substantially all of our assets or take any similar action, or

.. distribute securities on the shares that are not distributed to you,

then,

(1) the cash, shares or other securities received by The Bank of New York will become deposited securities and each ADS will automatically represent its equal share of the new deposited securities unless additional ADSs are issued; and

(2) The Bank of New York may, and will if we request, issue new ADSs or ask you to surrender your outstanding ADSs in exchange for new ADSs, identifying the new deposited securities.

Amendment and Termination

We may agree with The Bank of New York to amend the deposit agreement and the ADSs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses, or prejudices an important right of ADS holders, it will only become effective three months after The Bank of New York notifies you of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADS, to agree to the amendment and to be bound by the ADSs and the deposit agreement as amended. However, no amendment will impair your right to receive the deposited securities in exchange for your ADSs.

The Bank of New York will terminate the deposit agreement if we ask it to do so, in which case it must notify you at least 30 days before termination. The Bank of New York may also terminate the deposit agreement if The Bank of New York has told us that it would like to resign and we have not appointed a new depositary bank within 60 days.

If any ADSs remain outstanding after termination, The Bank of New York will stop registering the transfers of ADSs, will stop distributing dividends to ADS holders and will not give any further notices or do anything else under the deposit agreement other than:

(1) collect dividends and distributions on the deposited securities,

(2) sell rights and other property offered to holders of deposited securities, and

(3) deliver shares and other deposited securities in exchange for ADSs surrendered to The Bank of New York.

At any time after one year following termination, The Bank of New York may sell any remaining deposited securities. After that, The Bank of New York will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The Bank of New York's only obligations will be to account for the money and other cash and with respect to indemnification and to retain depositary documents. After termination, our only obligations will be with respect to indemnification and to pay certain amounts to The Bank of New York.

Limitations on Obligations and Liability to ADS Holders

The deposit agreement expressly limits our obligations and the obligations of The Bank of New York. It also limits our liability and the liability of The Bank of New York. We and The Bank of New York:

.. are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;

.. are not liable if either is prevented or delayed by law, any provision of our Articles of Incorporation or circumstances beyond their control from performing their obligations under the deposit agreement;

.. are not liable if either exercises or fails to exercise discretion permitted under the deposit agreement;

.. have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party unless indemnified to their satisfaction; and

.. may rely upon any advice of or information from legal counsel, accountants, any person depositing shares, any ADS holder or any other person believed in good faith to be competent to give them that advice or information.

In the deposit agreement, we and The Bank of New York agree to indemnify each other for liabilities arising out of acts performed or omitted by the other party in accordance with the deposit agreement.

Requirements for Depositary Actions

Before The Bank of New York will issue or register transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, it may require:

.. payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities,

.. production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary, and

.. compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The Bank of New York may refuse to deliver, transfer, or register transfers of ADSs generally when its transfer books are closed, when our transfer books are closed or at any time if it or we think it advisable to do so.

You have the right to cancel your ADSs and withdraw the underlying shares at any time except:

.. when temporary delays arise because: (1) The Bank of New York has closed its transfer books or we have closed our transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on the shares;

.. when you or other ADS holders seeking to withdraw shares owe money to pay fees, taxes and similar charges; or

.. when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Reports and Other Communications

The Bank of New York will make available for your inspection at its corporate trust office any reports and communications, including any proxy soliciting material, that it receives from us, if those reports and communications are both (a) received by The Bank of New York as the holder of the deposited securities and (b) made generally available by us to the holders of the deposited securities. If we ask it to, The Bank of New York will also send you copies of those reports it receives from us.

Inspection of Transfer Books

The Bank of New York will keep books for the registration and transfer of ADSs, which will be open for your inspection at all reasonable times. You will only have the right to inspect those books if the inspection is for the purpose of communicating with other owners of ADSs in connection with our business or a matter related to the deposit agreement or the ADSs.

C. Material Contracts

Other than as described in this Annual Report, all contracts entered into by us since our establishment on April 2, 2001 were entered into in the ordinary course of business.

D. Exchange Controls

Foreign Exchange and Foreign Trade Law

The Foreign Exchange and Foreign Trade Law of Japan, including related cabinet orders and ministerial ordinances, governs several aspects of the issuance of our shares and equity-related securities. It also applies in

some cases to the acquisition and holding of our shares or ADSs representing such shares by non-residents of Japan and by foreign investors. Generally, the Foreign Exchange and Foreign Trade Law currently in effect does not affect the right of a non-resident of Japan to purchase or sell an ADR outside Japan for non-Japanese currency.

"Non-residents of Japan" are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan.

Branches and other offices of Japanese corporations located outside Japan are treated as non-residents of Japan, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan.

"Foreign investors" are defined as:

.. individuals not resident in Japan;

.. corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan;

.. corporations of which 50% or more of the shares are held by individuals not resident of Japan and corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan; and

.. corporations, a majority of officers (or a majority of officers having the power of representation) of which are non-resident individuals.

Acquisitions of Shares

Under the Foreign Exchange and Foreign Trade Law, if a foreign investor acquires shares of stock of a Japanese company listed on any stock exchange in Japan or traded on the over-the-counter market in Japan, referred to as listed shares, from a resident of Japan, and, as a result of such acquisition, the foreign investor and related parties directly or indirectly hold 10% or more of the then total outstanding shares of the subject corporation, the foreign investor is generally required to file a report after the fact with the Minister of Finance and any other Ministers sharing jurisdiction over the business of the corporation. If the acquisition concerns national security or meets other conditions specified in the Foreign Exchange and Foreign Trade Law, the foreign investor must file a prior notification in respect of the proposed acquisition with the Ministers, and the Ministers may request a modification or prohibition of the proposed acquisition. If the foreign investor does not agree with the request, the Ministers may issue an order for the modification or prohibition of such acquisition.

A non-resident of Japan is generally not required to make prior notification or obtain prior approval of acquisitions of listed shares, although the Foreign Exchange and Foreign Trade Law provides the Ministry of Finance with the power, in exceptional circumstances, to require prior approval for any such acquisition from resident(s) by a non-resident of Japan.

The acquisition of shares by non-resident shareholders by way of stock splits is not subject to any of these notification and confirmation requirements.

Dividends and Proceeds of Sales

Under Japanese foreign exchange regulations currently in effect, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may be converted into any foreign currency and repatriated abroad.

Deposits and Withdrawals under American Depositary Facility

The deposit of shares with us, in our capacity as custodian and agent for the depositary, in Tokyo, the issuance of ADSs by the depositary to a non-resident of Japan in respect of the deposit and the withdrawal of the underlying

shares upon the surrender of the ADSs are not subject to any of the formalities

or restrictions referred to above. However, where as a result of a deposit or withdrawal the aggregate number of shares held by the depositary, including shares deposited with us as custodian for the depositary, or the holder surrendering ADSs, as the case may be, would be 10% or more of the total outstanding shares, a report will be required, and in specified circumstances, a prior notification may be required, as noted above.

Reporting of Substantial Shareholdings

Under Japan's Securities and Exchange Law, any person who becomes, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company which is listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan generally must report his or its share ownership to the Director of a relevant local finance bureau within 5 business days. A similar report must also be made in respect of any subsequent change of 1% or more in any previously reported holding or any change in material matters set out in reports previously filed, with some exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of warrants (including stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Copies of each ownership report must also be furnished to the issuer of such shares and to all Japanese stock exchanges on which the shares are listed or, in the case of shares traded over-the-counter, the Japan Securities Dealers Association.

E. Taxation

Japanese Taxation

The following sets forth the material Japanese tax consequences to owners of shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable, which we refer to as "non-resident holders" in this section. The statements regarding Japanese tax laws below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date of this Annual Report and are subject to changes in the applicable Japanese laws, double taxation treaties, conventions or agreements or interpretations thereof occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

For the purpose of Japanese tax law and the Tax Convention (as defined below), a U.S. holder of ADSs will be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before March 31, 2008 and 15% thereafter, except for dividends paid to any individual non-resident holder who holds 5% or more of our issued shares for which the applicable rate is 20%. Japan has income tax treaties, conventions or agreements whereby this withholding tax rate is set at, in most cases, 15% for portfolio investors, with, among other countries, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. Japanese tax law provides in general that if the Japanese

statutory rate is lower then the maximum rate applicable under tax treaties, conventions or agreements, the Japanese statutory rate shall be applicable.

On March 30, 2004, the Convention between the Government of the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which we

refer to as the Tax Convention, has been signed to replace its predecessor, which was signed on March 8, 1971 (the "Prior Treaty"). The Tax Convention applies in place of the Prior Treaty, (i) with respect to taxes withheld at source, for amounts taxable on or after July 1, 2004, and (ii) with respect to taxes on income which are not withheld at source and the enterprise taxes, as regards income for any taxable year beginning on or after January 1, 2005 (subject to certain transitional rules with respect to both items (i) and (ii) above). The Tax Convention establishes the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a United States resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate for U.S. holders (as defined below) is generally set at 10% of the gross amount distributed. However, the maximum rate is 5% of the gross amount distributed if the recipient is a corporation and owns directly or indirectly, on the date on which entitlement to the dividends is determined, at least 10% of the voting shares of the paying corporation. Furthermore, the amount distributed shall not be taxed if the recepient is (i) a pension fund which is a United States resident, provided that such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund or (ii) a parent company with a controlling interest in the paying company. In situations where an Eligible U.S. holder (as defined below) would be entitled to greater benefits under the Prior Treaty than under the Tax Convention, at the election of such Eligible U.S. holder, the Prior Treaty shall continue to have effect for a period of twelve months after the relevant provisions of the Tax Convention would otherwise have gone into effect. U.S. holders (as defined below) are urged to consult their own tax advisors with respect to their eligibility for benefits under the Prior Treaty and the Tax Convention.

Non-resident holders of shares who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident holders may provide this application service for the non-resident holders. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale or other disposition of shares or ADSs within or outside Japan by a non-resident holder are not, in general, subject to Japanese income or corporation taxes or other Japanese taxes.

Any deposits or withdrawals of shares by a non-resident holder in exchange for ADSs are not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired shares or ADSs as legatee, heir or donee, even if neither the individual nor the decedent nor the donor is not a Japanese resident.

U.S. Taxation

The following sets forth the material United States federal income tax consequences of the ownership of shares and ADSs by a U.S. holder, as defined below. This summary is based on United States federal income tax laws, including the United States Internal Revenue Code of 1986, or the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, and on the Tax Convention, all of which are subject to change, possibly with retroactive effect.

The following summary is not a complete analysis or description of all potential United States federal income tax consequences to a particular U.S. holder. It does not address all United States federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, insurance companies, dealers in securities, tax-exempt entities, non-U.S. persons, persons holding a share or an ADS as part of a "straddle," "hedge," conversion or integrated transaction, holders whose "functional currency" is not the US dollar, holders liable for alternative minimum tax and holders of 10% or more of our voting shares) are subject to special tax treatment. This summary does not address any foreign, state, local or other tax consequences of investments in our shares or ADSs.

This summary addresses only shares or ADSs held as capital assets.

As used herein, a "U.S. holder" is a beneficial owner of shares or ADSs, as the case may be, that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States,
- a corporation created or organized under the laws of the United States or any political subdivision thereof,
- an estate, the income of which is subject to U.S. federal income tax regardless of its source, or
- a trust
  - the administration of which is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code; or
  - that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

An "Eligible U.S. holder" is a U.S. holder that:

- is a resident of the United States for purposes of the Prior Treaty or the Tax Convention, as applicable from time to time,
- does not maintain a permanent establishment or fixed base in Japan to which the shares or ADSs are attributable and through which the U.S. holder carries on or has carried on business (or, in the case of an individual, performs or has performed independent personal services), and
- is otherwise eligible for benefits under the Prior Treaty or the Tax Convention, as applicable, with respect to income and gain derived in connection with the shares or ADSs.

A "Non-U.S. holder" is any beneficial holder of shares or ADSs that is not a U.S. holder.

We urge U.S. holders to consult their own tax advisors concerning the United States federal, state and local and other tax consequences to them of the purchase, ownership and disposition of shares or ADSs.

This summary is based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with their respective terms. For United States federal income tax purposes, holders of ADSs will be treated as the owners of the shares represented by the ADSs. The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. holders of ADSs. Accordingly, the discussion on the creditability of Japanese taxes described below could be affected by future actions that may be taken by the U.S. Treasury.

Special adverse United States federal income tax rules apply if a U.S. holder holds shares or ADSs of a company that is treated as a "passive foreign investment company" (a "PFIC") for any taxable year during which the U.S. holder held shares or ADSs. Based upon proposed Treasury regulations which are not yet in effect but are proposed to become effective for taxable years beginning after December 31, 1994 or, for electing taxpayers, for taxable years beginning after December 31, 1986, and upon certain management estimates, we do not expect Mitsubishi Tokyo Financial Group, Inc. to be a PFIC for United States federal income tax purposes in the current year or in future years. However, there can be no assurance that the described proposed regulations will be finalized in their current form, and the determination of whether Mitsubishi Tokyo Financial Group, Inc. is a PFIC is based upon, among other things, the composition of our income and assets and the value of our assets from time to time.

Taxation of Dividends

U.S. holders will include the gross amount of any distribution received with respect to shares or ADSs (before reduction for Japanese withholding taxes), to the extent paid out of the current or accumulated earnings and profits (as determined for United States federal income tax purposes) of Mitsubishi Tokyo Financial Group, Inc., as ordinary income in their gross income. The amount of distribution of property other than cash will be the fair market value of such property on the date of the distribution. Dividends received by a U.S. holder will not be eligible for the "dividends-received deduction" allowed to United States corporations in respect of dividends received from other United States corporations. To the extent that an amount received by a U.S. holder exceeds such holder's allocable share of our current earnings and profits, such excess will be applied first to reduce such holder's tax basis in its shares or ADSs, thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent disposition of the shares or ADSs. Then, to the extent such distribution exceeds such U.S. holder's tax basis, such excess will be treated as capital gain. The amount of the dividend will be the US dollar value of the Japanese yen payments received. This value will be determined at the spot Japanese yen/US dollar rate on the date the dividend is received by the depositary in the case of U.S. holders of ADSs, or by the shareholder in the case of U.S. holders of shares, regardless of whether the dividend payment is in fact converted into US dollars at that time. If the Japanese yen received as a dividend are not converted into US dollars on the date of receipt, a U.S. holder will have basis in such Japanese yen equal to their dollar value on the

date of receipt, and any foreign currency gains or losses resulting from the conversion of the Japanese yen will generally be treated as U.S. source ordinary income or loss.

Subject to certain limitations, the Japanese tax withheld will be creditable against the U.S. holder's United States federal income tax liability. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we pay will constitute "passive income" or, in the case of certain U.S. holders, "financial services income."

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act") affects the taxation of dividends. The Act eliminates the tax rate difference between "qualified dividends" and capital gains for United States individual investors. Qualified dividends include dividends received from both domestic corporations and "qualified foreign corporations." Qualified foreign corporations include those corporations eligible for the benefits of a comprehensive income tax treaty with the U.S.; both the Prior Treaty and the Tax Convention are such treaties. Dividends received by U.S. investors from a foreign corporation that was a foreign investment company (under Section 1246(b) of the Code), a passive foreign investment company (under Section 1297 of the Code) or a foreign personal holding company (under Section 552 of the Code) in either the taxable year of the distribution or the preceding taxable year are not qualified dividends. We believe that Mitsubishi Tokyo Financial Group, Inc. is a qualified foreign corporation and that dividends received by U.S. investors with respect to shares or ADSs of Mitsubishi Tokyo Financial Group, Inc. will be qualified dividends. Note that these provisions do not effect dividends received by Non-U.S. holders.

Taxation of Capital Gains

Upon a sale or other disposition of shares or ADSs, a U.S. holder will recognize gain or loss in an amount equal to the difference between the US dollar value of the amount realized and the U.S. holder's tax basis, determined in US dollars, in such shares or ADSs. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for such shares or ADSs exceeds one year. A U.S. holder's adjusted tax basis in its shares or ADSs will generally be the cost to the holder of such shares or ADSs. Any such gain or loss realized by a U.S. holder upon disposal of the shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Any deposits and/or withdrawals of shares made with respect to ADSs are not subject to United States federal income tax.

Information Reporting and Backup Withholding

Dividends paid on shares or ADSs to a U.S. holder, or proceeds from a U.S. holder's sale or other disposition of shares or ADS, may be subject to information reporting requirements. Those dividends or proceeds from sale or disposition may also be subject to backup withholding unless the U.S. holder:

.. is a corporation or comes within some other categories of exempt recipients, and, when required, demonstrates this fact, or

.. provides a correct taxpayer identification number on a properly completed U.S. Internal Revenue Service Form W-9 or substitute form, certifies that

the U.S. holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules.

Any amount withheld under these rules will be creditable against the U.S. holder's United States federal income tax liability or refundable to the extent that it exceeds such liability if the U.S. holder provides the required information to the Internal Revenue Service. If a U.S. holder is required to and does not provide a correct taxpayer identification number, the U.S. holder may be subject to penalties imposed by the Internal Revenue Service.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file periodic reports and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices. Please call the SEC at 1-800-732-0330 for further information on the operation of its public reference rooms. The SEC also maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (http://www.sec.gov). You may also inspect our SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. Some of this information may also be found on our website at http://www.mtfg.co.jp.

I. Subsidiary Information

Please refer to discussion under "Item 4.C. Information on the Company--Organizational Structure."

Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk.

Rapid and extensive changes in the Japanese banking environment make risk management a continual challenge. Many of these changes arise from continuing economic and financial globalization and further advances in information technology. Our business opportunities are expanding and competition is increasing. We are affected by ongoing reforms in the Japanese financial system, such as changes that allow for the integration of operations, business alliances across different industries and new entrants into the industries in which we participate. These and other changes contribute to the risks we face.

We face credit risks, market risks, liquidity risks, operations risks, information security risks and other risks. We manage these risks through our risk management system. The risks we face may be broadly divided into two types. One type consists of credit and market risks that are inherent in our profit-seeking activities. The second

type involves risks associated with our own operations. Our management goal is to achieve a balance between earnings and risks. For this purpose, we have instituted an integrated risk management policy throughout our group to

identify, quantify, control, monitor and manage risk using consistent standards and techniques in each of our businesses.

Risk Management System

We have an integrated risk management framework. The holding company and each of the subsidiary banks have their own chief risk officers and risk management divisions, which are independent of their respective operational segments.

We determine our group-wide risk management policy at the holding company level, and our subsidiary banks implement the policy accordingly. The holding company seeks to raise group-wide risk awareness, integrate and improve the group's risk management framework, allocate risk capital appropriately and eliminate specific concentrations of risk. Our board of directors is responsible for our group-wide risk management and control principles, and the boards of directors of our subsidiary banks are responsible for the respective bank's risk management and control principles.

At the holding company level, the following subcommittees of our executive committee review and evaluate key risks relating to the group: corporate risk management committee and credit & investment committee. Our corporate risk management division and credit & investment management division, which report directly to the chief risk management officer and these committees, monitor the risks in the day-to-day operations of the group as a whole. Other committees, offices and divisions at each of our subsidiary banks monitor and manage their own risks.

Integrated Risk Management

We employ a capital allocation system that assists us in managing our risks in relation to our profit targets and expected returns. We allocate economic capital to each of our subsidiary banks based on quantitative risk, type of risk and business group. Economic capital is calculated from credit risk, market risk, operational risk and equity portfolio risk. Capital allocation decisions are made semiannually in consultation with our subsidiary banks, and we monitor and manage these allocations constantly. We adopted a risk adjusted performance measurement as our management tool. This measurement enables us to better assess our profitability and efficiency relative to our risks.

Credit Risk Management

Credit risk is the risk that we will be unable to collect the amount due to us on the due date of a particular obligation as a result of the deterioration of the borrower's financial condition. Credit risk is realized when a credit instrument previously extended to a borrower loses part or all of its value. This in turn exposes us to financial loss. We have established an internal framework to maintain our asset quality, manage credit risk exposure and achieve earnings commensurate with the risks undertaken by us.

Quantitative Analysis of Credit Risk

Using a highly complex model, we analyze our credit risk quantitatively. This model measures credit risk based on historical data relating to credit amounts, default rates and recovery rates that we have collected from our subsidiary banks and takes into account the correlation among borrowers' default probabilities. We manage our credit risk based upon this analysis.

Portfolio Management

We work to achieve earnings commensurate with the risk levels undertaken by us. Our strategy is to price our products based upon expected losses, as determined in accordance with our internal credit rating system. At the same time, by monitoring loan amounts and credit exposure by credit rating, type of business and region, we seek to avoid a concentration of our credit risks in specific categories. We regulary hold a committee to specifically discuss issues relating to credit concentration.

We have a specialized unit that sets credit ceilings by country to address and manage country risk. We regularly review these credit ceilings and adjust them when credit conditions change materially in any country.

Credit Risk Management System

We closely monitor and supervise the credit portfolios of our subsidiary banks. We seek to identify problem credits at an early stage. We use the same credit rating and self-assessment system for our subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

Under our credit risk management system, each subsidiary bank manages its own credit risk on a global consolidated basis, and we oversee and manage credit risks on a group-wide basis.

At each of our subsidiary banks, we have in place a system of checks and balances in which a credit administration section that is independent of the business development sections screens individual transactions and manages the extension of credit. Additionally, our management regularly holds investment and financial meetings and credit and investment council meetings to review important matters related to credit risk management.

Credit Rating System

We use a credit rating system with a scale of 1 to 15 to evaluate credit risk, as set out in the table below. Based on this system, we conduct a self-assessment of our assets and a quantitative risk measurement of credit risk, manage our loan portfolio and determine our pricing strategy. The credit rating system, which is based on the concept of probabilities of default, is consistent with both the method of evaluating credit risk under the new Basel Capital Accord and those of third-party credit rating agencies. Our credit rating system is also designed to conform to the regulatory authorities' risk grading standards for classified loans. Our subsidiary banks constantly monitor changes in all of our customers' creditworthiness and change ratings if necessary, so that they perform accurate assessment of their own assets. With respect to country risk, we assess each country using ten alphanumeric grades and determine a country risk rating.

	Credit rating				
	1-9	10-12	13	14	
Borrower grade	Normal	Close Watch/(1)/	Likely to Become Bankrupt/(2)/	Virtually Bankrupt/(3)/	Ban

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(1) Borrowers classified as "Close Watch" require close scrutiny because their business performance is unstable or their financial condition is unfavorable. Borrowers ranked 10, 11, and 12 correspond with "Needs Attention" and borrowers ranked 12 also correspond with "Special Attention," a subcategory of "Needs Attention," under the Financial

Services Agency's classification.

(2) Borrowers classified as "Likely to Become Bankrupt" are not yet bankrupt, but are in financial difficulty with poor progress in achieving their business restructuring plans or are likely to become bankrupt in the future. Borrowers ranked 13 correspond with "In Danger of Bankruptcy" under the Financial Service Agency's classification.

(3) Borrowers classified as "Virtually Bankrupt" and "Bankrupt" are considered to be virtually bankrupt or are legally bankrupt. Borrowers ranked 14 and 15 correspond with "De Facto Bankrupt" and "Bankrupt," respectively, under the Financial Services Agency's classification.

Risk Management of Strategic Equity Portfolio

Through our banking subsidiaries, we hold shares in some of our clients for strategic purposes, in particular to maintain long-term relationships with these clients. These investments have the potential to increase business revenues and to appreciate in value.

At the same time, there is a risk that we will suffer losses on shares held for strategic purposes. Price fluctuation is an inherent risk in equity investment. We regard the management of this risk as essential. We are seeking to lower our exposure to this risk by reducing the amount of shares we hold for strategic purposes.

Reducing the amount of shares held for strategic purposes and thereby minimizing the risk of price declines has become a pressing issue for banks in Japan. Reductions have become necessary to manage risks effectively and to comply with the law to limit the shareholdings of banks. The law requires banks to reduce the balance of their shares to a level below the level of their Tier I capital by September 2006. We achieved this target as of September 30, 2003, and have continued to maintain such levels as of March 31, 2004.

In addition to the disposition of shares undertaken to satisfy legal requirements, we carry out a quantitative analysis of the risks related to our strategically-held shares from a risk management viewpoint. According to our calculations, the market value of our total strategically-held shares as of March 31, 2004 increases or decreases approximately (Yen)3.2 billion when the TOPIX Index moves one percentage point upward or downward.

We monitor the amount of strategically-held shares to maintain quantitative risks at an appropriate level in relation to our Tier I capital and to achieve earnings that compensate for the risks undertaken by us.

Market Risk Management

Market risk is the risk that the value of our assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices, or foreign exchange rates.

Market Risk Management System

Through our market risk management system, we monitor our overall market risk and coordinate important matters at the holding company level, while our subsidiary banks manage the market risks related to their own trading and non-trading activities on a global consolidated basis.

Market Risk Management Process at Subsidiary Banks

At each of our subsidiary banks, we maintain checks and balances through a system in which back and middle offices operate independently from front offices. In addition, ALM committee/ALM council meetings are held at Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, respectively, every month to review important matters related to market risk and control.

Our subsidiary banks have established quantitative limits relating to market risk based on their allocated economic capital. In addition, in order to keep losses within predetermined limits, our subsidiary banks have established stop-loss rules which set limits for the maximum amount of losses arising from market activities.

Market Risk Management and Control

Market risk is managed quantitatively through methods such as value at risk, or VaR, interest rate sensitivity and stress testing as well as qualitatively by ensuring that appropriate processes and systems are in place for data management, reporting and evaluation. Various risk profiles are analyzed and evaluated and findings are reported to the executive committee and the corporate risk management committee of the holding company.

Our subsidiary banks set the quantitative limits for market risk and stop loss and their middle offices monitor these limits on a daily basis. The middle office of the holding company monitors our subsidiary banks' control over their limits and reports to its chief risk management officer on a daily basis as well. We also monitor total loss levels on a consolidated basis.

In addition with respect to the operation of each of the business units, each of our subsidiary banks manage the market risks relating to our assets and liabilities, such as interest rate risk and exchange rate risk, by entering into various hedging transactions using marketable securities and derivatives, including futures, options and swaps. For a detailed discussion of the financial instruments employed as part of our risk management strategy, see note 23 to our consolidated financial statements.

Market Risk Measurement

Market risks consist of general risks and specific risks. General market risks result from changes in entire markets, while specific risks relate to changes in the prices of individual stocks and bonds which are independent of the overall direction of the market.

To measure general market risk, we use the VaR technique to estimate changes in the market value of portfolios within a certain period by statistically analyzing past market data. We use the VaR technique to monitor and manage market risks quantitatively on a daily basis, taking into account risk diversification effects among all of our portfolios.

We enhanced the methodology used in VaR risk calculation and introduced a historical simulation model (HS model) from October 2003. This new approach is based on 10-day holding period, with a 99% confidence interval based on an observation period consisting of the preceding 701 business days. (The former approach was based on a variance/covariance (VC) matrix with a 10-day holding period, with a 99% confidence interval based on three years of historical data.) This approach assumes that historical changes in market value are representative of future changes. We adopted the historical simulation model because it involves fewer assumptions about the distribution of portfolio losses than parameter-based methodologies, e.g, VC models. The VC model assumes

that changes in risk factors follow a normal distribution, which may differ from actual events, while the HS model is capable of capturing certain statistically infrequent movements, e.g., a fat tail. In addition, the HS model accounts for the characteristics of instruments with non-linear behavior.

The internal market risk model used by the holding company and subsidiary banks has been verified by external auditors as meeting the qualitative and quantitative criteria set forth in Section B of the January 1996 Amendment to the Capital Accord to Incorporate Market Risks and the Japanese Banking Law. We have begun using the historical simulation model to calculate our capital adequacy ratios starting from fiscal 2004.

We also conduct stress testing and backtesting. Some market situations are extremely difficult to predict and some events are statistically very infrequent. Stress testing uses scenarios that estimate the amount of loss likely to be incurred by a portfolio in such situations or as a result of such events. Backtesting is a method that verifies the reliability of risk-calculation models by retrospectively comparing estimates of risk with the gains and losses produced by actual market movements.

Illustrations of Market Risks in the Fiscal Year Ended March 31, 2004

Trading activities

The VaR (historical simulation model) for our total trading activities in the fiscal year ended March 31, 2004 is presented in the table below. Total amount of VaR as of March 31, 2004 were slightly lower compared to those as of March 31,2003. As of March 31, 2004, market risks related to foreign exchange rate had decreased slightly, while interest rate risks related to yen or US dollar, equities and commodities increased. On a daily average basis,

interest rate risks related to the US dollar and to foreign exchange rates had decreased, while risks related to the yen, interest rate, equities and commodities increased.

Historical Simulation Model

	(April 2002--March 2003)			
	(in billions)			
VaR for Trading Activities				
Risk category	Daily avg.	High	Low	March 31, 2003
Interest rate	(Yen) 4.72	(Yen) 9.92	(Yen)1.63	(Yen) 2.70
Of which, yen	1.75	4.78	0.63	1.59
Of which, U.S. dollar	3.00	7.65	0.66	1.19
Foreign exchange	2.20	5.61	0.58	0.79
Equities	0.63	2.71	0.31	0.33
Commodities	0.25	0.52	0.00	0.26
Diversification effect	(2.25)	--	--	(1.06)
Total	(Yen) 5.55	(Yen)11.12	(Yen)2.76	(Yen) 3.04

	(April 2003--March 2004)			
	(in billions)			
VaR for Trading Activities				
Risk category	Daily avg.	High	Low	March 31, 2004
Interest rate	(Yen) 3.59	(Yen) 9.00	(Yen)1.20	(Yen) 2.69
Of which, yen	2.20	9.00	0.71	1.92
Of which, U.S. dollar	1.55	5.34	0.34	1.53
Foreign exchange	1.49	3.84	0.38	0.73
Equities	0.69	1.34	0.28	0.86
Commodities	0.36	0.81	0.07	0.69
Diversification effect	(1.84)	--	--	(1.72)
Total	(Yen) 4.29	(Yen) 9.39	(Yen)2.05	(Yen) 3.24

Note: Based on a 10-day holding period, with a confidence interval of 99% based on 701 business days of historical data. The highest and lowest VaR were taken from different days. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

The average daily VaR by quarter in the fiscal year ended March 31, 2004 was as follows:

Quarter	Daily average VaR
April - June 2003	(Yen)5.50 billion
July - September 2003	(Yen)4.45 billion
October - December 2003	(Yen)3.84 billion
January - March 2004	(Yen)3.34 billion

Quantitative market risks fluctuate throughout the year, reflecting the reaction of trading activities to market volatility. Although market conditions were often volatile during the fiscal year ended March 31, 2004, our trading-related revenue was relatively stable, with positive trading-related revenue recorded for 203 of 261 trading days during the period. Furthermore, the amount of trading-related revenue per day was kept within a stable range, with 34 days of positive revenue and only five days of negative revenue exceeding (Yen)1 billion.

The VaR measured by our former model (variance/covariance model) for our total trading activities in the fiscal year ended March 31, 2004 is as follows.

Variance/Covariance Model

	(April 2002--March 2003)
	(in billions)
VaR for Trading Activities	

Risk category	Daily avg.	High	Low	March 31, 2003
Interest rate	(Yen) 1.46	(Yen)2.52	(Yen)0.93	(Yen) 1.01
Of which, yen	0.52	1.05	0.19	0.39
Of which, U.S. dollar	0.66	1.39	0.33	0.40
Foreign exchange	0.80	1.56	0.20	1.04
Equities	0.63	1.44	0.27	0.31
Commodities	0.14	0.28	0.05	0.08
Diversification effect	(0.48)	--	--	(0.38)
Total	(Yen) 2.55	(Yen)3.59	(Yen)1.73	(Yen) 2.06

(April 2003--March 2004)

(in billions)

VaR for Trading Activities

Risk category	Daily avg.	High	Low	March 31, 2004
Interest rate	(Yen) 1.46	(Yen)2.25	(Yen)0.98	(Yen) 1.46
Of which, yen	0.77	1.40	0.28	1.00
Of which, U.S. dollar	0.51	1.18	0.22	0.49
Foreign exchange	0.63	1.09	0.31	0.93
Equities	0.52	1.09	0.22	0.65
Commodities	0.14	0.29	0.02	0.21
Diversification effect	(0.39)	--	--	(0.59)
Total	(Yen) 2.36	(Yen)3.40	(Yen)1.59	(Yen) 2.65

Note: Based on a one-day holding period, with a confidence interval of 99% based on three years of historical data. The highest and lowest VaR were taken from different days. A simple summation of VaR by risk category is not equal to total VaR due to the effect of diversification.

The holding period for the variance/covariance model differs from that of the historical simulation method.

Backtesting

We conduct backtesting in which estimated quantitative risks are compared with actual realized and unrealized losses to verify the accuracy of our VaR measurement model. Actual losses never exceeded VaR in our backtesting of trading days in the fiscal year ended March 31, 2004. This means that our VaR model provided reasonably accurate measurements during the fiscal year ended March 31, 2004.

Stress Testing

We calculate, on a daily basis, the predicted losses of our current positions in each market sector, applying the worst ten-day volatility recorded during the observation period of 701 business days. As of March 31, 2004, we held a total trading activity position of (Yen)4.7 billion of predicted loss of trading positions, while (Yen)3.6 billion as of March 31, 2003.

Capital Charges for Market Risk

The market risk regulations stipulated in the Basel Capital Accord require us to include the effects of market risk in calculating capital adequacy ratios. Holding company and both subsidiary banks use an internal model approach to calculate general market risk, and a standardized approach to calculate specific risk. In applying the internal model approach, we are required to meet qualitative and quantitative criteria. Internal and external examinations have demonstrated that our systems have been able to meet these strict requirements.

Non-trading Activities

VaR for our total non-trading activities as of March 31, 2004, excluding market risks related to our strategic equity portfolio and measured using the same standard as used for trading activities, was (Yen)133.07 billion, a (Yen)3.81 billion increase from March 31, 2003. In the fiscal year ended March 31, 2004, interest rate risks and equities-related risks increased (Yen)11.85 billion and (Yen)27.47 billion respectively, while forex-related market risks declined (Yen)3.69 billion as a result of the decrease in exposure.

Interest rate risks accounted for approximately 77% of our total non-trading activity market risks, consisting of interest rate risk, foreign exchange rate risk, equities risk and commodities risk. In the fiscal year ended March 31, 2004, the daily average interest rate VaR totaled (Yen)133.01 billion, with the highest recorded VaR being (Yen)168.44 billion and the lowest being (Yen)103.24 billion.

The daily average interest rate VaR by quarter in the fiscal year ended March 31, 2004 was as follows:

Quarter	Daily average VaR
April - June 2003.....	(Yen)148.90 billion
July - September 2003..	(Yen)135.78 billion
October - December 2003	(Yen)113.05 billion
January - March 2004...	(Yen)134.60 billion

We analyze interest rate risks by major currencies compared to the previous fiscal year. The Japanese yen interest rate risk ratio as of March 31, 2004 increased significantly from 29% to 50%, while US dollar-related interest rate risk ratio decreased from 53% to 35% and euro-related interest rate risk decreased from 17% to 14%, each as compared to March 31, 2003.

Operational Risk Management

Operational risk refers to losses sustained due to defective internal control systems and disasters and other external factors. The need for the establishment of an operational risk management system is growing as operational risk loss incidents continue to occur not only at financial institutions but at other companies as well. In response to this need, the Basel Committee on Banking Supervision requires banks to charge operational risks to capital in the New Basel Capital Accord. We deal with a wide variety of risks including those related to liquidity, operations, information security, staff management, criminal activity, transactions with customers, legal and compliance matters, disasters, strategy and business management, regulation changes and business reputation. To manage group-wide operational

risk, we are developing a risk management system that includes operational risk identification, assessment, control and monitoring.

Liquidity Risk Management

Liquidity risk is mainly the risk of incurring losses if a poor financial position hampers our subsidiaries' ability to cover funding requirements. Our subsidiary banks maintain appropriate liquidity in both Japanese yen and foreign currencies. Our subsidiary banks manage the daily funding mechanism and the funding sources, such as liquidity gap, liquidity-supplying products such as commitment lines and buffer assets.

In relation to our total liquidity risk, we have established the following categories to assess group-wide liquidity risks: Normal, With-Concern, and Critical. The front offices and risk management offices of the holding company and of our subsidiary banks exchange information and data on cash flows even at the Normal stage. At higher alert stages, we centralize group-wide information about liquidity risk. We have also established a system for liaison and consultation on funding in preparation for emergencies, such as catastrophes, wars and terrorist attacks.

Operations Risk Management

Operations risk is the risk that we will incur losses because our management or our employees fail to perform their jobs properly, cause accidents or engage in improprieties. To reduce operations risk, our subsidiary banks endeavor to ensure the strict observance of procedures and rules, use automation and systems to reduce manual work and enhance systems for the management of cash and other instruments that require physical handling. They also provide operational counseling and have implemented cross-checking measures such as internal audits. We share data on operational incidents internally to prevent the recurrence of similar events.

Information Security Risk Management

Information security risk management refers to information systems designed to protect the group from losses that could result from the alteration, wrongful use, loss or unauthorized disclosure of information and from the destruction, malfunction or wrongful use of information systems. When developing any information system, we perform tests designed to prevent breakdowns. In addition, we have in place measures designed to minimize the effects of a system breakdown, including contingency plans, failsafe mechanisms and disaster prevention training. To safeguard customer information, we have taken steps to prevent unauthorized infiltration of our computer systems and to strictly guard confidentiality. We share data on system breakdowns and information security incidents internally to help prevent the recurrence of similar events.

Compliance

We consider compliance to be one of the most important considerations in conducting our businesses. As such, we regularly review our compliance systems and seek enhancements throughout our organization. Our holding company actively participates in the planning of our overall compliance efforts and continuously monitors and supervises the status of these efforts. We have a committee, which includes directors in charge of compliance at the holding company and our subsidiary banks, that holds quarterly meetings and considers items needed to improve and strengthen our overall compliance framework. In addition, the holding company's compliance advisory committee, which is composed of external

experts in the fields of law and accounting, also aims to improve the effectiveness and transparency of our compliance efforts by making relevant proposals to the board of directors of our holding company.

Our subsidiary banks each maintain an office dedicated to the coordination of compliance-related activities. These offices seek to raise staff awareness of compliance issues by implementing compliance programs and issuing and updating compliance manuals that explain relevant legal requirements and internal rules, as well as through various staff training sessions. Compliance committee meetings are held at regular intervals to confirm the bank's compliance status and to discuss related topics. Compliance officers are appointed at all of our domestic and overseas headquarters and branch offices to perform periodic self-assessment and training. Independent checks are performed by separate internal audit sections to assess the effectiveness of our compliance measures.

Internal Audit

Internal audit is a process by which the internal auditing sections independently verify the adequacy and effectiveness of internal control systems. The audit office of Bank of Tokyo-Mitsubishi and the audit division of

Mitsubishi Trust Bank play a major role in the internal audit activities of our group. They monitor the risk management process in business operations and independently evaluate the effectiveness of internal control systems. These sections also seek to improve and correct any problems or issues identified.

In establishing efficient and effective audit work schedules, the type and magnitude of risks involved are considered in determining the frequency and depth of the audit activities. In the audit and compliance division of the holding company, we have a monitoring group which evaluates and verifies appropriateness and effectiveness of internal control structures including our risk management structure, mainly by monitoring internal audit activities of our subsidiary banks. As a core component of its activities, we utilize process-oriented audits advocated by the Committee of Sponsoring Organizations of the Treadway Commission in a way that ensures the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. We have planned and carried out audit-related joint projects with subsidiary banks, including cooperative audits, establishment of general audit guidelines, and joint training programs.

We have a committee, which includes directors in charge of internal audit and compliance at the holding company and our subsidiary banks, that discusses our internal audit structure and important policies for the group. This committee, which holds quarterly meetings, also reviews various audit-related projects and, if appropriate, promotes them group-wide.

Item 12.Description of Securities Other than Equity Securities.

Not applicable.

PART II

Item 13.Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14.Material Modifications of the Rights of Security Holders and Use of Proceeds.

None.

Item 15.Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer, or CEO, the Co-Chief Executive Officer, or Co-CEO, and Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on that evaluation, the CEO, Co-CEO and CFO have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the U.S. Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. During the period covered by this Annual Report, there were no significant changes in our internal controls or in other factors that could materially affect, or is reasonably likely to materially affect, the disclosure controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 16A. Audit Committee Financial Expert.

Our board of corporate auditors has determined that Mr. Mitsuo Minami is an "audit committee financial expert" as defined in Item 16A. of Form 20-F. Mr. Minami, a corporate auditor, has spent most of his business career auditing major Japanese corporations as a certified public accountant, and he is currently a professor of accounting at Bunkyo Gakuin University.

Item 16B. Code of Ethics.

We have adopted a code of ethics, compliance rules and a compliance manual, each of which applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Our compliance rules set forth the necessity of adherence to our code of ethics by our directors, executive officers and employees. These rules also set forth the roles and responsibilities of our employees, compliance officers, Audit Division Compliance Group and others in the event of a breach of the compliance rules.

Our compliance manual was created to identify, and to promote compliance by our directors, executive officers and employees with, the relevant laws and regulations in conjunction with our code of ethics and compliance rules. This manual also sets forth the procedures regarding the handling of conflicts of interest for our directors and the promotion of conduct that meets our code of ethics and compliance rules for employees.

A copy of the sections of our code of ethics, compliance rules and compliance manual relating to the "code of ethics" (as defined in paragraph (b) of Item 16B. of Form 20-F) is attached as Exhibit 11 to this Annual Report. No amendments to those sections of our code of ethics, compliance rules and compliance manual have been made, and no waivers of the code of ethics, compliance rules and compliance manual have been granted to our principal executive officer, principal financial officer, principal accounting officer, directors and corporate auditors, during the fiscal year ending March 31, 2004.

Item 16C. Principal Accountant Fees and Services.

Fees and Services of Deloitte Touche Tohmatsu

The aggregate fees billed by Deloitte Touche Tohmatsu, our independent auditor, for the fiscal years ended March 31, 2003 and 2004 are presented in the following table.

	2003	2004
	(in millions)	
Audit fees	(Yen)1,680	(Yen)1,719
Audit-related fees	83	137
Tax fees	156	106
All other fees	789	127
Total	(Yen)2,708	(Yen)2,089

The description of our fees billed for each categories described above is as follows:

Audit fees--Audit fees are primarily for annual audit of our financial statements, review of our semi-annual condensed financial statements, statutory audit of our financial statements and audits of our subsidiary financial statements. Audit fees also include comfort letters related to a global offering of our common stock in March 2003.

Audit-related fees--Audit-related fees primarily include due diligence services, accounting consultations, agreed upon procedures on internal controls and employee benefit plan audit. Audit-related fees also include advisory services relating to the implementation of Section 404 of the Sarbanes-Oxley Act.

Tax fees--Tax fees relate primarily to tax compliance including preparation of tax return filings, tax advisory and tax planning services. Tax fees also include consultation fees to introduce the consolidated corporate-tax system we adopted for the fiscal year ended March 31, 2003.

All other fees--All other fees primarily include agreed upon procedures related to our bulk sales of loans or securitizations and operational audits of our overseas branches.

Pre-Approval Policies and Procedures for Services by Deloitte Touche Tohmatsu

Our board of corporate auditors performs the pre-approval function required by applicable SEC rules and regulations. Effective May 1, 2003, our board of corporate auditors has established pre-approval policies and procedures that Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries must follow before engaging Deloitte Touche Tohmatsu to perform audit and permitted non-audit services.

When Mitsubishi Tokyo Financial Group, Inc. or a subsidiary intends to engage Deloitte Touche Tohmatsu to perform audit and permitted non-audit services, it must make an application for pre-approval on either a periodic or case-by-case basis.

.. Periodic application is an application for pre-approval made each fiscal year for services that are expected to be provided by Deloitte Touche Tohmatsu during the next fiscal year.

.. Case-by-case application is an application for pre-approval made on a case-by-case basis for services to be provided by Deloitte Touche Tohmatsu that are not otherwise covered by the relevant periodic application.

Pre-approval is resolved in principle by our board of corporate auditors prior to engagement, although if necessary a full-time corporate auditor may consider any case-by-case application for pre-approval on behalf of the board of corporate auditors prior to the next scheduled board meeting. Such decisions made individually by a full-time corporate auditor are reported to and ratified by the board of corporate auditors as appropriate at the next scheduled board meeting.

None of the services billed for the fiscal year ended March 31, 2003 was subject to pre-approval requirements. For the fiscal year ended March 31, 2004, all services subject to pre-approval, which were entered into after May 6, 2003, were pre-approved either by the board of corporate auditors or a full-time corporate auditor in accordance with the pre-approval policies and procedures described above, except that approximately 0.6% of total tax fees were approved by the board of corporate auditors pursuant to Regulation S-X 2-01(c)(7)(ii)(c).

PART III

Item 17.Financial Statements.

In lieu of responding to this item, we have responded to Item 18 of this Annual Report.

Item 18.Financial Statements.

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report.

Item 19.Exhibits.

Exhibit	Description
1(a)	Articles of Incorporation of Mitsubishi Tokyo Financial Group, Inc., as amended and resta June 29, 2004. (English Translation)
1(b)	Corporation Meetings Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on 2004. (English Translation)
1(c)	Board of Directors Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on J 2004. (English Translation)

1(d)	Share Handling Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended and rest June 29, 2004. (English Translation)
2(a)	Form of stock certificates.
2(b)	Form of American Depositary Receipt.*
2(c)	Deposit Agreement, dated as of April 2, 2001, among Mitsubishi Tokyo Financial Group, Inc Bank of New York and the holders from time to time of American Depositary Receipts issued thereunder.*
8	Subsidiaries of the Company--see "Item 4.C. Information on the Company--Organizational St
11	Code of ethics, compliance rules and compliance manual of Mitsubishi Tokyo Financial Grou applicable to its directors and managing officers, including its principal executive offi financial officer, principal accounting officer or controller, or persons performing simi (English translation of relevant sections)
12	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CF 240.15d-14(a)).
13	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CF 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U 1350).
15	Consent of Auditors.

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* Incorporated by reference from the Registration Statement on Form F-6 (Reg. No. 333-13338) filed on April 2, 2001.

SELECTED STATISTICAL DATA

Due to close integration of foreign and domestic activities, it is difficult to make a precise determination of assets, liabilities, income and expenses of our foreign operations. The foreign operations as presented include the business conducted by overseas subsidiaries and branches, and the international business conducted by the several international banking related divisions headquartered in Japan. Our management believes that the results appropriately represent our domestic and foreign activities.

During the fiscal year ended March 31, 2003, the Bank of Japan changed the industry segment loan classification. Such change primarily includes an introduction of a new "Communication and information services" category. Due to the introduction of the new category, certain businesses previously included in "Manufacturing," "Services," and "Other" industries were reclassified into "Communication and information services." This change is expected to provide a more transparent and detailed description of the loan portfolio. In response to the change, we modified the loan reporting system. For comparative purposes, we provide the information by industry segment as of March 31, 2003 and 2004, including III. Loan Portfolio and IV. Summary of Loan Loss Experience, based on both the old and new industry segment classifications.

In the fiscal year ended March 31, 2004, certain operations including domestic mortgage securities business were discontinued and certain figures in prior fiscal years were reclassified to discontinued operations to conform to the presentation for the fiscal year ended March 31, 2004.

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

Average Balance Sheets, Interest and Average Rates

The following table shows our average balances, interest and average interest rates for the fiscal years ended March 31, 2002, 2003 and 2004. Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages. The average balances determined by such methods are considered to be representative of our operations.

	Fiscal yea					
	2002					
	Average balance	Interest	Average rate		Average balance	
					(in millions	
Assets:						
Interest-earning assets:						
Interest-earning deposits in other banks:						
Domestic	(Yen) 471,966	(Yen) 8,690	1.84%	(Yen)	36	
Foreign	4,862,738	151,078	3.11		3,19	
Total	5,334,704	159,768	2.99		3,56	
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic	2,008,863	6,341	0.32		1,50	
Foreign	2,890,112	159,084	5.50		2,48	
Total	4,898,975	165,425	3.38		3,98	
Trading account assets:						
Domestic	3,165,218	11,525	0.36		3,75	
Foreign	720,614	3,619	0.50		63	
Total	3,885,832	15,144	0.39		4,38	
Investment securities (see Note 1):						
Domestic	16,142,282	128,312	0.79		17,97	
Foreign	5,794,785	271,039	4.68		6,65	
Total	21,937,067	399,351	1.82		24,62	
Loans (see Note 2):						
Domestic	37,911,969	659,223	1.74		39,02	
Foreign	11,094,350	614,917	5.54		10,67	

Total	49,006,319	1,274,140	2.60	49,69
Total interest-earning assets:				
Domestic	59,700,298	814,091	1.36	62,62
Foreign	25,362,599	1,199,737	4.73	23,64
Total	85,062,897	2,013,828	2.37	86,26
Non-interest-earning assets:				
Cash and due from banks	1,487,498			1,97
Other non-interest-earning assets	7,422,477			8,82
Allowance for credit losses	(1,716,475)			(1,66
Total non-interest-earning assets	7,193,500			9,13
Total assets from discontinued operations	119,603			8
Total average assets	(Yen)92,376,000			(Yen)95,47

	2004		
	Average balance	Interest	Average rate
Assets:			
Interest-earning assets:			
Interest-earning deposits in other banks:			
Domestic	(Yen) 314,643	(Yen) 4,072	1.29%
Foreign	2,804,134	44,021	1.57
Total	3,118,777	48,093	1.54
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:			
Domestic	3,436,564	3,130	0.09
Foreign	2,392,079	38,145	1.59
Total	5,828,643	41,275	0.71
Trading account assets:			
Domestic	5,455,464	23,005	0.42
Foreign	555,837	5,446	0.98
Total	6,011,301	28,451	0.47
Investment securities (see Note 1):			
Domestic	19,006,877	112,027	0.59
Foreign	7,951,162	270,497	3.40
Total	26,958,039	382,524	1.42

Loans (see Note 2):			
Domestic	39,328,149	572,157	1.45
Foreign	9,622,611	349,509	3.63
Total	48,950,760	921,666	1.88
Total interest-earning assets:			
Domestic	67,541,697	714,391	1.06
Foreign	23,325,823	707,618	3.03
Total	90,867,520	1,422,009	1.56
Non-interest-earning assets:			
Cash and due from banks	4,217,976		
Other non-interest-earning assets	8,930,265		
Allowance for credit losses	(1,210,948)		
Total non-interest-earning assets	11,937,293		
Total assets from discontinued operations	21,183		
Total average assets	(Yen)102,825,996		

Notes:

1. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.
2. Average balances on loans outstanding include all nonaccrual and restructured loans. See "III. Loan Portfolio." The amortized portion of net loan origination fees (costs) is included in interest income on loans, representing an adjustment to the yields with insignificant impact.

	Fiscal years ended March				
	2002			2003	
	Average balance	Interest	Average rate	Average balance	Interest
				(in millions, except perce	
Liabilities and shareholders' equity:					
Interest-bearing liabilities:					
Deposits:					
Domestic	(Yen)44,807,025	(Yen) 157,484	0.35%	(Yen)50,445,839	(Yen) 86,4
Foreign	10,982,859	328,159	2.99	8,964,019	157,2
Total	55,789,884	485,643	0.87	59,409,858	243,7
Debentures--Domestic	2,931,103	20,491	0.70	1,343,078	8,5

Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:					
Domestic	5,383,197	23,926	0.44	4,839,272	13,4
Foreign	3,598,158	176,010	4.89	3,647,691	93,5
Total	8,981,355	199,936	2.23	8,486,963	106,9
Due to trust account--					
Domestic	2,940,975	16,683	0.57	1,691,359	8,6
Other short-term borrowings and trading account liabilities:					
Domestic	2,032,642	15,519	0.76	2,825,797	13,8
Foreign	1,001,886	30,783	3.07	624,089	17,2
Total	3,034,528	46,302	1.53	3,449,886	31,1
Long-term debt:					
Domestic	2,994,708	88,908	2.97	3,682,571	92,2
Foreign	2,010,632	80,311	3.99	1,594,637	48,0
Total	5,005,340	169,219	3.38	5,277,208	140,2
Total interest-bearing liabilities:					
Domestic	61,089,650	323,011	0.53	64,827,916	223,1
Foreign	17,593,535	615,263	3.50	14,830,436	316,1
Total	78,683,185	938,274	1.19	79,658,352	539,2
Non-interest-bearing liabilities	10,580,038			13,337,356	
Total liabilities from discontinued operations	67,169			50,991	
Shareholders' equity	3,045,608			2,431,528	
Total average liabilities and shareholders' equity	92,376,000			95,478,227	
Net interest income and average interest rate spread		(Yen)1,075,554	1.18%		(Yen)1,043,4
Net interest income as a percentage of average total interest-earning assets			1.26%		

	2004

	Interest	Average rate
Liabilities and shareholders' equity:		
Interest-bearing liabilities:		
Deposits:		
Domestic	(Yen) 67,115	0.13%
Foreign	111,434	1.25
Total	178,549	0.29
Debentures--Domestic	4,035	0.81
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:		
Domestic	20,792	0.31
Foreign	63,161	1.50
Total	83,953	0.77
Due to trust account-- Domestic	4,950	0.37
Other short-term borrowings and trading account liabilities:		
Domestic	26,997	0.60
Foreign	7,265	1.30
Total	34,262	0.67
Long-term debt:		
Domestic	93,891	2.17
Foreign	26,874	2.27
Total	120,765	2.20
Total interest-bearing liabilities:		
Domestic	217,780	0.31
Foreign	208,734	1.41
Total	426,514	0.50
Non-interest-bearing liabilities		
Total liabilities from discontinued operations		
Shareholders' equity		
Total average liabilities and shareholders' equity		
Net interest income and		

average interest rate spread	(Yen)995,495	1.06%
Net interest income as a percentage of average total interest-earning assets		1.10%

The percentage of average total assets attributable to foreign activities was 33.6%, 29.3% and 27.2%, respectively, for the fiscal years ended March 31, 2002, 2003 and 2004.

The percentage of average total liabilities attributable to foreign activities was 33.9%, 29.9% and 27.9%, respectively, for the fiscal years ended March 31, 2002, 2003 and 2004.

Analysis of Net Interest Income

The following table shows changes in our net interest income between changes in volume and changes in rate for the fiscal year ended March 31, 2003 compared to the fiscal year ended March 31, 2002 and the fiscal year ended March 31, 2004 compared to the fiscal year ended March 31, 2003.

	Fiscal year ended March 31, 2002 versus fiscal year ended March 31, 2003			Fiscal year fiscal y
	Increase (decrease) due to changes in			Increase (d to cha
	Volume	Rate	Net change	Volume
	(in millions)			
Interest income:				
Interest-earning deposits in other banks:				
Domestic	(Yen) (1,338)	(Yen) (3,579)	(Yen) (4,917)	(Yen) (522)
Foreign	(44,369)	(37,872)	(82,241)	(6,834)
Total	(45,707)	(41,451)	(87,158)	(7,356)
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:				
Domestic	(1,583)	(240)	(1,823)	1,760
Foreign	(10,667)	(91,560)	(102,227)	(1,513)
Total	(12,250)	(91,800)	(104,050)	247
Trading account assets:				
Domestic	1,618	(2,813)	(1,195)	5,832
Foreign	(261)	(1,648)	(1,909)	(211)
Total	1,357	(4,461)	(3,104)	5,621

Investment securities (see Note 2):				
Domestic	12,501	(18,212)	(5,711)	6,081
Foreign	34,624	(36,873)	(2,249)	44,210
Total	47,125	(55,085)	(7,960)	50,291
Loans:				
Domestic	17,202	(73,526)	(56,324)	4,404
Foreign	(18,065)	(154,421)	(172,486)	(40,517)
Total	(863)	(227,947)	(228,810)	(36,113)
Total interest income:				
Domestic	28,400	(98,370)	(69,970)	17,555
Foreign	(38,738)	(322,374)	(361,112)	(4,865)
Total	(Yen)(10,338)	(Yen)(420,744)	(Yen)(431,082)	(Yen) 12,690

Notes:

1. Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."
2. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

	Fiscal year ended March 31, 2002 versus fiscal year ended March 31, 2003			Fiscal year versus fiscal y
	Increase (decrease) due to changes in			Increase (de due to chan
	Volume	Rate	Net change	Volume
	(in millions)			
Interest expense:				
Deposits:				
Domestic	(Yen) 9,664	(Yen) (80,688)	(Yen) (71,024)	(Yen)2,921
Foreign	(41,467)	(129,397)	(170,864)	(1,022)
Total	(31,803)	(210,085)	(241,888)	1,899.
Debentures--Domestic	(11,018)	(965)	(11,983)	(5,350)
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:				
Domestic	(1,649)	(8,875)	(10,524)	5,701.
Foreign	1,270	(83,727)	(82,457)	8,297.
Total	(379)	(92,602)	(92,981)	13,998.

Due to trust account--Domestic....	(7,003)	(1,007)	(8,010)	(1,578)	
Other short-term borrowings and trading account liabilities:					
Domestic.....	3,888	(5,554)	(1,666)	9,712	
Foreign.....	(11,433)	(2,063)	(13,496)	(938)	
Total.....	(7,545)	(7,617)	(15,162)	8,774	
Long-term debt:					
Domestic.....	17,224	(13,919)	3,305	13,840.	
Foreign.....	(14,345)	(17,940)	(32,285)	(10,941)	
Total.....	2,879	(31,859)	(28,980)	2,899.	
Total interest expense:					
Domestic.....	11,106	(111,008)	(99,902)	25,246.	
Foreign.....	(65,975)	(233,127)	(299,102)	(4,604)	
Total.....	(Yen)(54,869)	(Yen)(344,135)	(Yen)(399,004)	(Yen)20,642	(
Net interest income:					
Domestic.....	(Yen) 17,294	(Yen) 12,638	(Yen) 29,932	(Yen)(7,691)	(
Foreign.....	27,237	(89,247)	(62,010)	(261)	
Total.....	(Yen) 44,531	(Yen) (76,609)	(Yen) (32,078)	(Yen)(7,952)	(

Note--Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."

II. Investment Portfolio

The following table shows information as to the value of our investment securities available for sale and being held to maturity at March 31, 2002, 2003 and 2004.

	2002			
	Amortized cost	Estimated market value	Net unrealized gains	Amortized cost
Securities available for sale:				
Domestic:				
Japanese national government and Japanese government agency bonds.....	(Yen) 9,887,613	(Yen) 9,951,250	(Yen) 63,637	(Yen)10,912,
Corporate bonds.....	1,341,079	1,353,028	11,949	1,179,
Marketable equity securities.....	3,695,451	5,279,562	1,584,111	2,718,

Other securities	844,695	854,358	9,663	824,
Total domestic	15,768,838	17,438,198	1,669,360	15,636,
Foreign:				
U.S. Treasury and other U.S. government agencies bonds	1,004,277	1,031,942	27,665	2,524,
Other governments and official institutions bonds	1,706,593	1,790,712	84,119	2,705,
Mortgage-backed securities	1,444,359	1,523,026	78,667	1,195,
Other securities	1,432,354	1,498,938	66,584	1,222,
Total foreign	5,587,583	5,844,618	257,035	7,647,
Total	(Yen)21,356,421	(Yen)23,282,816	(Yen)1,926,395	(Yen)23,284,
Securities being held to maturity				
Domestic:				
Japanese national government and Japanese government agency bonds	(Yen) 89,945	(Yen) 94,266	(Yen) 4,321	(Yen) 70,
Other securities	107,544	112,296	4,752	95,
Total domestic	197,489	206,562	9,073	166,
Foreign:				
U.S. Treasury and other U.S. government agencies bonds	--	--	--	
Other governments and official institutions bonds	69,529	72,822	3,293	25,
Other securities	5,145	5,340	195	
Total foreign	74,674	78,162	3,488	25,
Total	(Yen) 272,163	(Yen) 284,724	(Yen) 12,561	(Yen) 191,

	2004			
	Net unrealized gains	Amortized cost	Estimated market value	Net unrealized gains
Securities available for sale:				
Domestic:				
Japanese national government and Japanese government agency bonds	(Yen) 110,926	(Yen)14,651,744	(Yen)14,677,458	(Yen) 25,7
Corporate bonds	5,848	1,355,202	1,357,784	2,5
Marketable equity securities	709,540	2,186,548	3,855,522	1,668,9
Other securities	9,775	581,848	584,837	2,9
Total domestic	836,089	18,775,342	20,475,601	1,700,2
Foreign:				

U.S. Treasury and other U.S. government agencies bonds	34,755	2,853,379	2,855,529	2,1
Other governments and official institutions bonds	148,773	1,635,547	1,668,420	32,8
Mortgage-backed securities	15,370	1,127,467	1,153,570	26,1
Other securities	45,004	1,440,665	1,501,190	60,5
Total foreign	243,902	7,057,058	7,178,709	121,6
Total	(Yen)1,079,991	(Yen)25,832,400	(Yen)27,654,310	(Yen)1,821,9
Securities being held to maturity				
Domestic:				
Japanese national government and Japanese government agency bonds	(Yen) 3,887	(Yen) 1,050,931	(Yen) 1,053,611	(Yen) 2,6
Other securities	5,929	109,881	113,227	3,3
Total domestic	9,816	1,160,812	1,166,838	6,0
Foreign:				
U.S. Treasury and other U.S. government agencies bonds	--	5,584	5,584	
Other governments and official institutions bonds	2,576	32,577	33,551	9
Other securities	--	51,786	51,928	1
Total foreign	2,576	89,947	91,063	1,1
Total	(Yen) 12,392	(Yen) 1,250,759	(Yen) 1,257,901	(Yen) 7,1

Nonmarketable equity securities, presented in Other investment securities in the consolidated financial statements, were carried at costs of (Yen)129,498 million, (Yen)145,431 million and (Yen)200,557 million, at March 31, 2002, 2003 and 2004, respectively. The corresponding estimated fair values at those dates were not readily determinable.

The following table presents the book values, maturities and weighted average yields of investment securities available for sale and being held to maturity, excluding equity securities, at March 31, 2004. Weighted average yields are calculated based on amortized cost. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material:

	Maturities within one year		Maturities after one year but within five years		Maturities afte five years but within ten year	
	Amount	Yield	Amount	Yield	Amount	Yi
			(in millions, except percen			
Securities available for sale:						
Domestic:						

Japanese national government and Japanese government agency bonds	(Yen)	7,889,064	0.06%	(Yen)	4,809,907	0.74%	(Yen)	847,996 1.
Corporate bonds		227,361	1.69		1,013,050	0.98		109,254 0.
Other securities		328,976	1.24		147,496	2.41		59,791 1.
Total domestic		8,445,401	0.15		5,970,453	0.83		1,017,041 1.
Foreign:								
U.S. Treasury and other U.S. government agencies bonds		433,195	3.46		2,272,734	2.51		109,385 4.
Other governments and official institutions bonds		277,289	2.00		1,250,698	3.25		130,831 4.
Mortgage-backed securities		44,957	2.50		2,695	6.57		111,589 3.
Other securities		155,397	2.64		818,412	2.67		179,025 3.
Total foreign		910,838	2.83		4,344,539	2.75		530,830 4.
Total	(Yen)	9,356,239	0.40%	(Yen)	10,314,992	1.63%	(Yen)	1,547,871 2.
Securities being held to maturity:								
Domestic:								
Japanese national government and Japanese government agency bonds	(Yen)	13,353	2.22%	(Yen)	1,026,733	0.48%	(Yen)	10,845 1.
Other securities		14,080	2.07		40,925	1.86		53,879 1.
Total domestic		27,433	2.14		1,067,658	0.53		64,724 1.
Foreign:								
U.S. Treasury and other U.S. government agencies bonds		--	--		1,168	7.96		--
Other governments and official institutions bonds		24,409	6.56		8,168	4.85		--
Other securities		2,263	2.30		43,672	2.37		5,851 1.
Total foreign		26,672	6.20		53,008	2.88		5,851 1.
Total	(Yen)	54,105	4.14%	(Yen)	1,120,666	0.64%	(Yen)	70,575 1.

	Total	
	Amount	Yield
Securities available for sale:		
Domestic:		
Japanese national		

government and Japanese government agency bonds	(Yen)	14,677,458	0.42%
Corporate bonds		1,357,784	1.09
Other securities		584,837	1.50
Total domestic		16,620,079	0.52
Foreign:			
U.S. Treasury and other U.S. government agencies bonds		2,855,529	2.73
Other governments and official institutions bonds		1,668,420	3.13
Mortgage-backed securities		1,153,570	3.62
Other securities		1,249,528	2.92
Total foreign		6,927,047	3.01
Total	(Yen)	23,547,126	1.24%
Securities being held to maturity:			
Domestic:			
Japanese national government and Japanese government agency bonds	(Yen)	1,050,931	0.51%
Other securities		109,881	1.73
Total domestic		1,160,812	0.63
Foreign:			
U.S. Treasury and other U.S. government agencies bonds		5,584	7.92
Other governments and official institutions bonds		32,577	6.13
Other securities		51,786	2.22
Total foreign		89,947	3.99
Total	(Yen)	1,250,759	0.87%

Excluding U.S. Treasury and other U.S. government agencies bonds and Japanese national government bonds, the following table sets forth the securities of individual issuers held in our investment securities portfolio which exceeded 10% of our consolidated shareholders' equity at March 31, 2004.

	Amortized cost	Fair va

	(in millions)	
Germany government bonds	(Yen)728,561	(Yen)752
Mortgage-backed securities issued by Federal National Mortgage Association.	559,474	557
Mortgage-backed securities issued by Federal Home Loan Mortgage Corporation	544,111	542

III. Loan Portfolio

The following table shows our loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31 of each of the five fiscal years ended March 31, 2004. Classification of loans by industry is based on the industry segment loan classification as defined by the Bank of Japan for regulatory reporting purposes and is not necessarily based on use of proceeds:

	At March 31			
	2000	2001	2002	20
	Old classification	Old classification	Old classification	Old classification
	(in millions)			
Domestic:				
Manufacturing	(Yen) 6,877,734	(Yen) 6,451,672	(Yen) 6,394,459	(Yen) 6,119,502
Construction	1,816,338	1,726,278	1,535,191	1,277,407
Real estate	5,045,318	5,272,787	4,923,688	4,297,718
Services	5,010,678	4,763,938	4,549,692	5,062,035
Wholesale and retail	6,926,200	6,592,660	5,983,958	5,634,752
Banks and other financial institutions/(1)/..	3,947,735	4,069,828	4,271,182	3,598,028
Communication and information services	--	--	--	--
Other industries	3,837,809	2,797,419	3,850,153	5,004,704
Consumer	7,141,689	6,934,440	7,049,095	7,425,702
Total domestic	40,603,501	38,609,022	38,557,418	38,419,848
Foreign:				
Governments and official institutions	244,172	315,321	326,086	235,093
Banks and other financial institutions/(1)/..	692,322	783,501	680,449	928,059
Commercial and industrial	7,652,750	8,820,141	9,708,102	8,413,452
Other	887,507	1,173,223	1,000,044	510,179
Total foreign	9,476,751	11,092,186	11,714,681	10,086,783
Total	50,080,252	49,701,208	50,272,099	48,506,631

Less unearned income and deferred loan fees--net.....	30,868	30,305	42,374	41,062
Total.....	(Yen)50,049,384	(Yen)49,670,903	(Yen)50,229,725/(2)/	(Yen)48,465,569/(2)/

	2004	
	Old classification	New classification
Domestic:		
Manufacturing.....	(Yen) 6,073,182	(Yen) 6,000,095
Construction.....	1,010,439	1,010,439
Real estate.....	4,584,882	4,585,299
Services.....	4,630,528	4,344,833
Wholesale and retail.....	5,149,173	4,998,952
Banks and other financial institutions/(1)/..	3,834,178	3,834,178
Communication and information services.....	--	874,564
Other industries....	6,535,434	6,169,456
Consumer.....	7,951,205	7,951,205/(3)/
Total domestic.....	39,769,021	39,769,021
Foreign:		
Governments and official institutions.....	183,117	183,117
Banks and other financial institutions/(1)/..	1,043,904	1,043,904
Commercial and industrial.....	7,239,896	7,239,896
Other.....	318,543	318,543
Total foreign.....	8,785,460	8,785,460
Total.....	48,554,481	48,554,481
Less unearned income and deferred loan fees--net.....	28,625	28,625
Total.....	(Yen)48,525,856/(2)/	(Yen)48,525,856/(2)/

Notes:

(1) Loans to the so-called non-bank finance companies are generally included in

the "Banks and other financial institutions" category. Non-bank finance companies are primarily engaged in consumer lending, factoring and credit card businesses.

(2) The above table includes loans held for sale of (Yen)3,178 million, (Yen)3,965 million and (Yen)12,893 million at March 31, 2002, 2003 and 2004, respectively.

(3) Domestic loans within the "consumer" category in the above table include loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, our credit administration

system was upgraded and we are now able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 by the type of proprietor business. This breakdown is presented below in accordance with our new classification:

Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communication and information services	Oth indus
				(in millions)			
(Yen)28,229	(Yen)19,283	(Yen)738,377	(Yen)230,730	(Yen)52,253	(Yen)1,200	(Yen)4,121	(Yen)

Since the system upgrade was effective during the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal year-end dates.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the maturities of our loan portfolio at March 31, 2004:

Old Classification

	Maturity		
	One year or less	One to five years	Over five years
	(in millions)		
Domestic:			
Manufacturing	(Yen) 4,056,239	(Yen) 1,816,167	(Yen) 200,776 (
Construction	711,640	237,073	61,726
Real estate	1,560,232	1,600,730	1,423,920
Services	2,617,043	1,480,844	532,641
Wholesale and retail	3,418,176	1,538,584	192,413
Banks and other financial institutions	2,409,860	864,335	559,983
Other industries	4,733,981	1,301,092	500,361
Consumer:			
Installment loans to individuals	94,819	1,623,938	5,554,380
Other	553,090	49,148	75,830

Total domestic	20,155,080	10,511,911	9,102,030
Foreign	4,510,332	2,502,149	1,772,979
Total	(Yen)24,665,412	(Yen)13,014,060	(Yen)10,875,009

New Classification

	Maturity		
	One year or less	One to five years	Over five years
	(in millions)		
Domestic:			
Manufacturing	(Yen) 4,005,442	(Yen) 1,803,598	(Yen) 191,055
Construction	711,640	237,073	61,726
Real estate	1,560,613	1,600,766	1,423,920
Services	2,411,446	1,412,402	520,985
Wholesale and retail	3,341,428	1,483,058	174,466
Banks and other financial institutions	2,409,860	864,335	559,983
Communication and information services	532,932	280,691	60,941
Other industries	4,533,810	1,156,902	478,744
Consumer:			
Installment loans to individuals	94,819	1,623,938	5,554,380
Other	553,090	49,148	75,830
Total domestic	20,155,080	10,511,911	9,102,030
Foreign	4,510,332	2,502,149	1,772,979
Total	(Yen)24,665,412	(Yen)13,014,060	(Yen)10,875,009

The above loans due after one year which had predetermined interest rates and floating or adjustable interest rates at March 31, 2004 are shown below.

	Domestic	Foreign	Total
	(in millions)		
Predetermined rate	(Yen) 8,328,003	(Yen)1,625,910	(Yen) 9,953,913
Floating or adjustable rate	11,285,938	2,649,218	13,935,156
Total	(Yen)19,613,941	(Yen)4,275,128	(Yen)23,889,069

Nonaccrual, Past Due and Restructured Loans

We generally discontinue accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or

interest, or when principal or interest is contractually past due one month or more with respect to loans of banking subsidiaries, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, and 90 days or more with respect to loans of certain foreign banking subsidiaries.

The following table shows the distribution of our nonaccrual loans, restructured loans and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31 of each of the five fiscal years ended March 31, 2004, based on the domicile and type of industry of the borrowers:

	At March 31,				
	2000	2001	2002	2003	
	Old classification	Old classification	Old classification	Old classification	cl
				(in millions)	
Nonaccrual loans:					
Domestic:					
Manufacturing	(Yen) 112,245	(Yen) 118,935	(Yen) 142,572	(Yen) 112,152	(Y
Construction	226,170	202,506	213,491	149,918	
Real estate	829,616	939,267	841,414	266,408	
Services	290,286	247,697	214,877	85,602	
Wholesale and retail	389,262	229,965	251,061	238,986	
Banks and other financial institutions	140,928	125,649	58,568	17,794	
Communication and information services	--	--	--	--	
Other industries	23,921	39,963	39,687	54,330	
Consumer	56,206	163,076	166,333	150,989	
Total domestic	2,068,634	2,067,058	1,928,003	1,076,179	
Foreign:					
Governments and official institutions	1,032	2,336	3,341	1,747	
Banks and other financial institutions	14,458	8,403	9,119	8,387	
Commercial and industrial	167,271	180,760	226,054	271,090	
Other	26,604	32,345	7,059	56,156	
Total foreign	209,365	223,844	245,573	337,380	
Total	2,277,999	2,290,902	2,173,576	1,413,559	
Restructured loans:					
Domestic	449,673	1,855,616	1,859,176	1,212,832	
Foreign	53,206	98,879	109,190	106,236	
Total	502,879	1,954,495	1,968,366	1,319,068	
Accruing loans contractually past due 90 days or more:					
Domestic	62,286	24,005	20,276	17,533	
Foreign	1,751	3,392	2,764	2,866	
Total	64,037	27,397	23,040	20,399	

Total	(Yen)2,844,915	(Yen)4,272,794	(Yen)4,164,982	(Yen)2,753,026	(Y

2004
New classification
Nonaccrual loans:
Domestic:
Manufacturing	(Yen) 175,691
Construction	59,031
Real estate	154,776
Services	72,951
Wholesale and retail	108,516
Banks and other financial institutions	21,367
Communication and information services	5,128
Other industries	39,783
Consumer	141,844/(2)/
Total domestic	779,087
Foreign:
Governments and official institutions	877
Banks and other financial institutions	87,162
Commercial and industrial	153,477
Other	62,521
Total foreign	304,037
Total	1,083,124
Restructured loans:
Domestic	577,348
Foreign	55,015
Total	632,363
Accruing loans contractually past due 90 days or more:
Domestic	14,696
Foreign	900
Total	15,596
Total	(Yen)1,731,083

Notes:

(1) The above table does not include real estate acquired in full or partial satisfaction of debt and certain assets under the management of the Cooperative Credit Purchasing Company which are recorded at estimated fair value less estimated cost to sell.

(2) Domestic nonaccrual loans within the "consumer" category in the above table include loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, our credit administration system was upgraded and we are now able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 by the type of proprietor business. This breakdown is presented below in accordance with our new classification:

Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communication and information services	Other industri
				(in millions)			
(Yen)1,566	(Yen)877	(Yen)52,271	(Yen)14,203	(Yen)5,765	(Yen)21	(Yen)264	--

Since the system upgrade was effective during the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal year-end dates.

Gross interest income which would have been accrued at the original terms on domestic nonaccrual and restructured loans outstanding during the fiscal year ended March 31, 2004 was approximately (Yen)29.5 billion, of which (Yen)22.9 billion was included in the results of operations for the fiscal year. Gross interest income which would have been accrued at the original terms on foreign nonaccrual and restructured loans outstanding for the fiscal year ended March 31, 2004 was approximately (Yen)15.7 billion, of which (Yen)9.7 billion was included in the results of operations for the fiscal year.

Foreign Loans Outstanding

Cross-border outstandings are defined, for this purpose, as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets denominated in Japanese yen or other non-local currencies. Material local currency loans outstanding which are neither hedged nor funded by local currency borrowings are included in cross-border outstandings.

At March 31, 2002 and 2004, we had no cross-border outstandings to borrowers in any foreign country which in total exceeded 0.75% of consolidated total assets. The following table sets forth our cross-border outstandings for the country in which the total was between 0.75% and 1% of consolidated total assets at March 31, 2003.

	Cross-border outstandings	Percentage of total assets

(in millions)

United Kingdom	(Yen)810,668	0.84%

Guarantees of outstandings of borrowers of other countries are considered to be outstandings of the guarantor. Loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank's home country are considered to be loans to, or deposits with, the foreign bank. Outstandings of a country do not include principal or interest amounts of which are supported by written, legally enforceable guarantees by guarantors of other countries or the amounts of outstandings to the extent that they are secured by tangible, liquid collateral held and realizable by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and their subsidiaries outside the country in which they operate.

In addition to credit risk, cross-border outstandings are subject to country risk that as a result of political or economic conditions in a country, borrowers may be unable or unwilling to pay principal and interest according to contractual terms. Other risks related to cross-border outstandings include the possibility of insufficient foreign exchange and restrictions on its availability.

In order to manage country risk, we establish various risk management measures internally. Among other things, we first regularly monitor economic conditions and other factors globally and assess country risk in each country where we have cross-border exposure. For purposes of monitoring and controlling the amount of credit exposed

to country risk, we set a country limit, the maximum amount of credit exposure for an individual country, in consideration of the level of country risk and our ability to bear such potential risk. We also determine our credit policy for each country in accordance with its country risk level and our business plan with regard to the country. Assessment of country risk, establishment of country limits, and determination of country credit policies are subject to review and approval by our senior management and are updated periodically.

Exposure to East Asia

We maintain a substantial network of branches and subsidiaries in East Asia and the region has been an important market for our financial services. Certain economies in this region are growing at a rapid pace, while the economy is not always stable and exposed to country risk to a greater extent than developed countries. In response to on-going and possible developments in the regional economy, we regularly reassess the country risk of each country in the region, to adjust exposure levels, and to review and revise country credit policies.

The following table represents our cross-border outstandings and unused commitments at March 31, 2003 and 2004, to certain East Asian countries:

	At March 31,			
	2003		2004	
	Cross-border outstanding	Unused commitments	Cross-border outstanding	Unused commitments

	(in billions)			
South Korea.....	(Yen)289.2	(Yen) 1.3	(Yen)226.1	(Yen)0.5
Indonesia.....	33.9	34.0	28.4	0.2
Thailand.....	167.4	8.8	164.1	4.4
Malaysia.....	116.2	2.2	106.3	1.0
Philippines.....	61.3	3.6	53.5	--
Hong Kong.....	224.7	0.6	333.4	--
People's Republic of China	145.0	8.8	213.6	0.7
Singapore.....	278.0	17.8	226.5	2.7

Exposure to Latin America

Similar to economies in East Asia, growth of economy is expected while unstability is observed in Latin American region. The following is a summary of cross-border outstandings to counterparties in major Latin American countries at March 31, 2003 and 2004:

	At March 31,	
	2003	2004
	(in billions)	
Brazil...	(Yen)120.0	(Yen)82.5
Mexico...	76.3	46.3
Argentina	34.1	18.2

Loan Concentrations

At March 31, 2004, there were no concentrations of loans to a single industry group of borrowers, as defined by the Bank of Japan industry segment loan classifications, which exceeded 10% of our consolidated total loans, except for loans in a category disclosed in the table of loans outstanding above.

Credit Risk Management

We have a credit rating system, under which borrowers and transactions are graded on a worldwide basis. We calculate probability of default by statistical means and manage our credit portfolio based on this credit rating

system. For a detailed description of this system and other elements of our risk management structure, see "Item 11. Quantitative and Qualitative Disclosures about Credit, Market and Other Risk--Credit Risk Management."

IV. Summary of Loan Loss Experience

The following table shows an analysis of our loan loss experience by type of borrowers' business for each of the five fiscal years ended March 31, 2004:

	Fiscal years ended

	2000	2001	2002	
	Old classification	Old classification	Old classification	Old classificatio
				(in millions, except
Allowance for credit losses at beginning of fiscal year.....	(Yen)1,813,680	(Yen)1,486,212	(Yen)1,716,984	(Yen)1,735,18
Provision (credit) for credit losses.....	355,724	783,855	598,412	437,97
Charge-offs:				
Domestic:				
Manufacturing.....	25,537	31,386	55,916	75,43
Construction.....	77,878	82,078	35,365	60,83
Real estate.....	98,201	154,887	150,684	332,26
Services.....	53,877	72,673	51,803	82,47
Wholesale and retail.....	191,839	152,723	96,745	117,13
Banks and other financial institutions.....	67,782	22,453	64,615	20,81
Communication and information services.....	--	--	--	-
Other industries.....	47,209	6,069	11,500	25,30
Consumer.....	39,827	34,291	46,550	39,59
Total domestic.....	602,150	556,560	513,178	753,86
Total foreign.....	121,882	87,879	156,203	139,77
Total.....	724,032	644,439	669,381	893,63
Recoveries:				
Domestic.....	25,244	26,666	42,112	57,79
Foreign.....	19,052	19,411	23,865	21,03
Total.....	44,296	46,077	65,977	78,82
Net charge-offs.....	679,736	598,362	603,404	814,81
Others/(1)/.....	(3,456)	45,279	23,188	1,79
Allowance for credit losses at end of fiscal year.....	(Yen)1,486,212	(Yen)1,716,984	(Yen)1,735,180	(Yen)1,360,13
Allowance for credit losses applicable to foreign activities:				
Balance at beginning of fiscal year.....	(Yen) 295,131	(Yen) 190,571	(Yen) 243,716	(Yen) 244,65
Balance at end of fiscal year....	(Yen) 190,571	(Yen) 243,716	(Yen) 244,650	(Yen) 263,92
Provision (credit) for credit losses.....	(Yen) 25,661	(Yen) 105,664	(Yen) 127,348	(Yen) 151,78
Ratio of net charge-offs during the fiscal year to average loans outstanding during the fiscal year.....	1.30%	1.21%	1.23%	1.6

	2004	
	Old classification	New classification
Allowance for credit losses at beginning of fiscal year	(Yen)1,360,136	(Yen)1,360,136
Provision (credit) for credit losses	(114,109)	(114,109)
Charge-offs:		
Domestic:		
Manufacturing	18,726	18,644
Construction	35,612	35,612
Real estate	119,005	119,005
Services	17,019	17,647
Wholesale and retail	47,010	44,282
Banks and other financial institutions	1,516	1,516
Communication and information services	--	2,256
Other industries	6,114	6,040
Consumer	49,162	49,162/(2)/
Total domestic	294,164	294,164
Total foreign	83,930	83,930
Total	378,094	378,094
Recoveries:		
Domestic	17,299	17,299
Foreign	23,671	23,671
Total	40,970	40,970
Net charge-offs	337,124	337,124
Others/(1)/	(20,776)	(20,776)
Allowance for credit losses at end of fiscal year	(Yen) 888,127	(Yen) 888,127
Allowance for credit losses applicable to foreign activities:		
Balance at beginning of fiscal year	(Yen) 263,929	(Yen) 263,929
Balance at end of fiscal year	(Yen) 245,842	(Yen) 245,842
Provision (credit) for credit losses	(Yen) 55,796	(Yen) 55,796
Ratio of net charge-offs during the fiscal year to average loans outstanding during the fiscal year	0.69%	0.69%

Notes:

(1) Others primarily include foreign exchange translation and discontinued operations adjustments.

(2) Charge-offs of domestic loans within the "consumer" category in the above table include charge-offs of loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, our credit administration system was upgraded and we are now able to present a precise breakdown of charge-offs of such consumer loans for the fiscal year ended March 31, 2004 by the type of proprietor business. This breakdown is presented below in accordance with our new classification:

Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communication and information services	Other industries
			(in millions)				
(Yen)39	--	(Yen)9,481	(Yen)2,270	(Yen)486	--	--	(Yen)108

Since the system upgrade during effective for the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal years.

The following table shows an allocation of our allowance for credit losses at March 31 of each of the five fiscal years ended March 31, 2004:

	2000		2001	
	Old classification		Old classification	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
Domestic:				
Manufacturing.....	(Yen) 98,296	13.73%	(Yen) 159,387	12.98%
Construction.....	124,352	3.63	133,752	3.47
Real estate.....	429,928	10.07	505,479	10.61
Services.....	178,237	10.01	172,568	9.59
Wholesale and retail.....	221,466	13.83	203,814	13.26
Banks and other financial				

institutions.....	64,934	7.88	86,470	8.19
Communication and information services.....	--	--	--	--
Other industries.....	57,684	7.67	47,607	5.63
Consumer.....	104,139	14.26	106,031	13.95
Foreign:				
Governments and official institutions.....	14,769	0.49	18,571	0.63
Banks and other financial institutions.....	9,328	1.38	11,322	1.58
Commercial and industrial.....	144,028	15.28	192,484	17.75
Other.....	22,446	1.77	21,339	2.36
Unallocated.....	16,605	--	58,160	--
Total.....	(Yen)1,486,212	100.00%	(Yen)1,716,984	100.00%
Allowance as a percentage of loans.....	2.97%		3.46%	
Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more.....	52.24%		40.18%	

	At March 31,					
	2002		2003			
	Old classification		Old classification		New classificatio	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	l c t
	(in millions, except percentages)					
Domestic:						
Manufacturing.....	(Yen) 162,828	12.72%	(Yen) 143,262	12.62%	(Yen) 141,549	
Construction.....	168,595	3.05	139,662	2.63	139,662	
Real estate.....	541,093	9.79	231,686	8.86	231,686	
Services.....	175,281	9.05	124,182	10.44	129,678	
Wholesale and retail.....	216,510	11.90	209,594	11.62	198,053	
Banks and other financial institutions.....	59,971	8.50	51,204	7.42	51,204	
Communication and information services.....	--	--	--	--	19,385	
Other industries.....	48,466	7.67	74,060	10.32	62,433	
Consumer.....	95,156	14.02	99,247	15.31	99,247	
Foreign:						
Governments and official						

institutions.....	33,304	0.65	2,298	0.48	2,298
Banks and other financial institutions.....	6,847	1.35	6,366	1.91	6,366
Commercial and industrial.....	189,332	19.31	216,058	17.34	216,058
Other.....	15,167	1.99	39,207	1.05	39,207
Unallocated.....	22,630	--	23,310	--	23,310
Total.....	(Yen)1,735,180	100.00%	(Yen)1,360,136	100.00%	(Yen)1,360,136
Allowance as a percentage of loans.....	3.45%		2.81%		2.81%
Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more.....	41.66%		49.41%		49.41%

	2004			
	Old classification		New classification	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
Domestic:				
Manufacturing.....	(Yen)124,735	12.51%	(Yen)124,262	12.36%
Construction.....	31,908	2.08	31,908	2.08
Real estate.....	111,628	9.44	111,629	9.44
Services.....	77,589	9.54	82,236	8.95
Wholesale and retail.....	112,178	10.60	103,577	10.30
Banks and other financial institutions.....	33,944	7.90	33,944	7.90
Communication and information services.....	--	--	6,395	1.80
Other industries.....	46,543	13.45	44,574	12.69
Consumer.....	85,232	16.38	85,232*	16.38
Foreign:				
Governments and official institutions.....	1,428	0.38	1,428	0.38
Banks and other financial institutions.....	60,064	2.15	60,064	2.15
Commercial and industrial.....	148,894	14.91	148,894	14.91
Other.....	35,456	0.66	35,456	0.66
Unallocated.....	18,528	--	18,528	--

Total.....	(Yen)888,127	100.00%	(Yen)888,127	100.00%
Allowance as a percentage of loans.....	1.83%		1.83%	
Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more.....	51.30%		51.30%	

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* The credit loss allowance for domestic loans within the "consumer" category in the above table include the credit loss allowance for loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, our credit administration system was upgraded and we are now able to present a precise breakdown of the balance of the credit loss allowance for such consumer loans at March 31, 2004 by the type of proprietor business. This breakdown is presented below in accordance with our new classification:

Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communication and information services	Other industries
				(in millions)			
(Yen)292	(Yen)196	(Yen)7,671	(Yen)2,371	(Yen)554	(Yen)13	(Yen)42	(Yen)104

Since the system upgrade was effective during the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal year-end dates.

While the allowance for credit losses contains amounts allocated to components of specifically identified loans as well as a group on portfolio of loans, the allowance for credit losses is available for credit losses in the entire loan portfolio and the allocations shown above are not intended to be restricted to the specific loan category. Accordingly, as the evaluation of credit risks changes, allocations of the allowance will be changed to reflect current conditions and various other factors.

V. Deposits

The following table shows the average amount of, and the average rate paid on, the following deposit categories for the fiscal years ended March 31, 2002, 2003 and 2004:

Fiscal years ended March 31,

	2002		2003		
	Average amount	Average rate	Average amount	Average rate	Avera amoun
-	(in millions, except percentages)				
Domestic offices:					
Non-interest-bearing demand deposits	(Yen) 2,621,296	--%	(Yen) 3,427,440	--%	(Yen) 4,5
Interest-bearing demand deposits	14,385,013	0.04	21,255,898	0.02	23,6
Deposits at notice	1,800,904	1.01	1,504,532	0.75	1,6
Time deposits	26,272,795	0.49	24,734,506	0.29	24,3
Certificates of deposit	2,348,313	0.14	2,950,903	0.03	3,0
Foreign offices, principally from banks located in foreign countries:					
Non-interest-bearing demand deposits	1,654,887	--	2,053,080	--	2,3
Interest-bearing deposits, principally time deposits and certificates of deposit	10,982,859	2.99	8,964,019	1.75	8,8
Total	(Yen)60,066,067		(Yen)64,890,378		(Yen)68,5

Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance of withdrawal.

The average amounts of total deposits by foreign depositors included in domestic offices for the fiscal years ended March 31, 2002, 2003 and 2004 were (Yen)485,399 million, (Yen)667,129 million and (Yen)945,755 million, respectively.

At March 31, 2004, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of (Yen)10 million (approximately US$96 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2004) or more and total foreign deposits issued in amounts of US$100,000 or more are shown in the following table.

	Time deposits	Certificates of deposit	Total
-	(in millions)		
Domestic offices:			
Three months or less	(Yen) 6,246,584	(Yen)2,190,275	(Yen) 8,436,859
Over three months through six months	2,025,283	219,186	2,244,469
Over six months through twelve months	2,250,229	147,703	2,397,932
Over twelve months	2,690,897	10,000	2,700,897
Total	(Yen)13,212,993	(Yen)2,567,164	(Yen)15,780,157
Foreign offices			(Yen) 7,080,451

VI. Short-Term Borrowings

The following table shows certain additional information with respect to our short-term borrowings for the fiscal years ended March 31, 2002, 2003 and 2004:

	Fiscal years ended March 31		
	2002	2003	
	(in millions, except percenta		
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the fiscal year.....	(Yen)8,981,355	(Yen) 8,486,963	(Yen
Maximum balance outstanding at any month-end during the fiscal year.....	9,252,127	17,520,365	
Balance at end of fiscal year.....	9,243,032	9,319,870	
Weighted average interest rate during the fiscal year...	2.23%	1.26%	
Weighted average interest rate on balance at end of fiscal year.....	1.09%	1.18%	
Due to trust account:			
Average balance outstanding during the fiscal year.....	(Yen)2,940,975	(Yen) 1,691,359	(Yen
Maximum balance outstanding at any month-end during the fiscal year.....	3,353,489	2,188,326	
Balance at end of fiscal year.....	2,282,225	1,401,618	
Weighted average interest rate during the fiscal year...	0.57%	0.51%	
Weighted average interest rate on balance at end of fiscal year.....	0.51%	0.51%	
Other short-term borrowings:			
Average balance outstanding during the fiscal year.....	(Yen)2,038,669	(Yen) 2,763,028	(Yen
Maximum balance outstanding at any month-end during the fiscal year.....	3,318,634	2,870,339	
Balance at end of fiscal year.....	3,318,634	2,854,028	
Weighted average interest rate during the fiscal year...	2.24%	1.02%	
Weighted average interest rate on balance at end of fiscal year.....	1.09%	0.48%	

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Mitsubishi Tokyo Financial Group, Inc.
(Kabushiki Kaisha Mitsubishi Tokyo Financial Group):

We have audited the accompanying consolidated balance sheets of Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG") and subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of operations, changes in equity from nonowner sources, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004 (all expressed in Japanese Yen). These financial statements are the responsibility of MTFG's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MTFG and subsidiaries at March 31, 2003 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, MTFG changed its method of accounting for derivative financial instruments and hedging activities in the fiscal year ended March 31, 2002, and its method of accounting for goodwill and other intangible assets in the fiscal year ended March 31, 2003.

/s/ Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tokyo, Japan
September 22, 2004

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2003 AND 2004

	2003
	(in
ASSETS	
Cash and due from banks (Note 10)	(Yen) 4,288,5
Interest-earning deposits in other banks (Note 10)	4,009,9
Call loans and funds sold (Note 13)	595,5
Receivables under resale agreements	1,169,4
Receivables under securities borrowing transactions	1,848,1
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of (Yen)1,807,819 million in 2003 and (Yen)2,252,489 million in 2004) (Notes 3 and 10)	8,363,3
Investment securities (Notes 4 and 10):	
Securities available for sale--carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of (Yen)3,049,692 million in 2003 and (Yen)2,352,234 million in 2004)	24,364,0
Securities being held to maturity--carried at amortized cost (estimated fair value of (Yen)203,524 million in 2003 and (Yen)1,257,901 million in 2004)	191,1
Other investment securities	145,4
Total investment securities	24,700,6
Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of (Yen)864,978 million in 2003 and (Yen)713,068 million in 2004) (Notes 5 and 10)	48,465,5
Allowance for credit losses (Notes 5 and 6)	(1,360,1
Net loans	47,105,4
Premises and equipment--net (Note 7)	643,7
Accrued interest	173,3
Customers' acceptance liability	28,2
Intangible assets (Note 8)	186,8
Goodwill (Note 8)	48,1
Deferred tax assets (Note 9)	1,640,0
Other assets (Notes 5 and 17)	1,730,0
Total	(Yen)96,531,7
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits (Notes 10 and 11):	
Domestic offices:	
Non-interest-bearing	(Yen) 3,987,8
Interest-bearing	52,257,0
Overseas offices:	
Non-interest-bearing	2,434,2
Interest-bearing	8,624,4
Total deposits	67,303,6
Debentures (Note 12)	636,0
Call money and funds purchased (Notes 10 and 13)	2,689,8
Payables under repurchase agreements (Note 10)	4,424,0
Payables under securities lending transactions (Note 10)	2,205,9
Due to trust account (Note 14)	1,401,6
Other short-term borrowings (Notes 10 and 15)	2,854,0
Trading account liabilities (Note 3)	3,603,1
Obligations to return securities received as collateral	950,1
Bank acceptances outstanding	28,2
Accrued interest	132,6
Long-term debt (Notes 10 and 15)	5,159,1

Other liabilities (Notes 9, 16 and 17)	2,590,1
Total liabilities	93,978,7
Commitments and contingent liabilities (Notes 24 and 26)	
Shareholders' equity (Note 21):	
Capital stock (Notes 18 and 19) :	
Preferred stock:	
Class 1--authorized, 81,400 shares; issued and outstanding, 81,400 shares in 2003 and 2004, with no stated value (aggregate liquidation preference of (Yen)244,200 million)	122,1
Class 2--convertible: authorized, 100,000 shares in 2003 and 15,000 shares in 2004; outstanding 100,000 shares in 2003 and 15,000 shares in 2004 with no stated value (aggregate liquidation preference of (Yen)200,000 million in 2003 and (Yen)30,000 million in 2004)	100,0
Class 3--authorized, 120,000 shares; no shares issued or outstanding	
Class 4--convertible: authorized, 120,000 shares; no shares issued or outstanding	
Common stock--authorized, 22,000,000 shares; issued, 6,232,162 shares in 2003 and 6,476,100 shares in 2004, with no stated value	984,7
Capital surplus (Note 19)	1,058,6
Retained earnings (Notes 20 and 33):	
Appropriated for legal reserve	237,4
Unappropriated	168,0
Accumulated other changes in equity from nonowner sources, net of taxes	(114,7
Total	2,556,1
Less treasury stock, at cost--3,226 common shares in 2003 and 2,714 common shares in 2004	3,2
Shareholders' equity--net	2,552,9
Total	(Yen)96,531,7

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	2002
Interest income:	
Loans, including fees (Note 5)	(Yen) 1,274,140
Deposits in other banks	159,768
Investment securities:	
Interest	336,238
Dividends	63,113
Trading account assets	15,144
Call loans and funds sold	19,318
Receivables under resale agreements and securities borrowing transactions	146,107

Total		2,013,828
Interest expense:		
Deposits		485,643
Debentures		20,491
Call money and funds purchased		17,853
Payables under repurchase agreements and securities lending transactions		182,083
Due to trust account		16,683
Other short-term borrowings and trading account liabilities		46,302
Long-term debt		169,219
Total		938,274
Net interest income		1,075,554
Provision (credit) for credit losses (Notes 5 and 6)		598,412
Net interest income after provision (credit) for credit losses		477,142
Non-interest income:		
Fees and commissions (Note 27)		485,977
Foreign exchange gains (losses)--net (Notes 1 and 3)		(333,034)
Trading account profits--net (Notes 1 and 3)		138,460
Investment securities gains (losses)--net (Notes 1 and 4)		20,604
Refund of the local taxes by the Tokyo Metropolitan Government (Note 9)		--
Other non-interest income		49,628
Total		361,635
Non-interest expense:		
Salaries and employee benefits (Note 16)		456,010
Occupancy expenses--net (Notes 7 and 26)		134,667
Losses (gains) on other real estate owned		6,233
Goodwill amortization (Note 8)		7,862
Fees and commission expenses		72,232
Amortization of intangible assets (Note 8)		36,932
Insurance premiums, including deposit insurance		43,452
Minority interest in income of consolidated subsidiaries		21,510
Communications		21,266
Other non-interest expenses		361,130
Total		1,161,294
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle		(322,517)
Income tax expense (benefit) (Note 9)		(98,881)
Income (loss) from continuing operations before cumulative effect of a change in accounting principle		(223,636)
Income (loss) from discontinued operations--net (Note 2)		1,235
Cumulative effect of a change in accounting principle, net of tax (Note 1)		5,867
Net income (loss)	(Yen)	(216,534)
Income allocable to preferred shareholders	(Yen)	4,168
Net income (loss) available to common shareholders	(Yen)	(220,702)
Amounts per share (*) (Notes 20 and 22):		
Basic earnings (loss) per common share--income (loss) from continuing		

operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen)	(41,011.91)
Basic earnings (loss) per common share--net income (loss) available to common shareholders		(39,733.32)
Diluted earnings (loss) per common share--income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle		(41,011.91)
Diluted earnings (loss) per common share--net income (loss) available to common shareholders		(39,733.32)

		2004
Interest income:		
Loans, including fees (Note 5)	(Yen)	921,666
Deposits in other banks		48,093
Investment securities:		
Interest		341,062
Dividends		41,462
Trading account assets		28,451
Call loans and funds sold		5,384
Receivables under resale agreements and securities borrowing transactions		35,891
Total		1,422,009
Interest expense:		
Deposits		178,549
Debentures		4,035
Call money and funds purchased		9,910
Payables under repurchase agreements and securities lending transactions		74,043
Due to trust account		4,950
Other short-term borrowings and trading account liabilities		34,262
Long-term debt		120,765
Total		426,514
Net interest income		995,495
Provision (credit) for credit losses (Notes 5 and 6)		(114,109)
Net interest income after provision (credit) for credit losses		1,109,604
Non-interest income:		
Fees and commissions (Note 27)		572,668
Foreign exchange gains (losses)--net (Notes 1 and 3)		413,911
Trading account profits--net (Notes 1 and 3)		103,903
Investment securities gains (losses)--net (Notes 1 and 4)		118,648
Refund of the local taxes by the Tokyo Metropolitan Government (Note 9)		41,989
Other non-interest income		55,465
Total		1,306,584
Non-interest expense:		
Salaries and employee benefits (Note 16)		506,710
Occupancy expenses--net (Notes 7 and 26)		120,507
Losses (gains) on other real estate owned		(579)
Goodwill amortization (Note 8)		--
Fees and commission expenses		80,252
Amortization of intangible assets (Note 8)		63,582
Insurance premiums, including deposit insurance		54,392

Minority interest in income of consolidated subsidiaries		42,404
Communications		27,623
Other non-interest expenses		341,149
Total		1,236,040
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle		1,180,148
Income tax expense (benefit) (Note 9)		357,314
Income (loss) from continuing operations before cumulative effect of a change in accounting principle		822,834
Income (loss) from discontinued operations--net (Note 2)		(585)
Cumulative effect of a change in accounting principle, net of tax (Note 1)		--
Net income (loss)	(Yen)	822,249
Income allocable to preferred shareholders	(Yen)	7,981
Net income (loss) available to common shareholders	(Yen)	814,268
Amounts per share (*) (Notes 20 and 22):		
Basic earnings (loss) per common share--income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen)	128,323.13
Basic earnings (loss) per common share--net income (loss) available to common shareholders		128,231.00
Diluted earnings (loss) per common share--income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle		125,006.95
Diluted earnings (loss) per common share--net income (loss) available to common shareholders		124,917.18

(*) For the fiscal year ended March 31, 2003 and 2004, Class 2 Preferred Stock was included in the computation of the diluted amounts based on the conversion price as of year-end (see Notes 18 and 22).

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES
FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	Gains (Losses) before income tax expense (benefit)	
Fiscal year ended March 31, 2002:		
Net loss		

Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale..	(Yen)	(558,583)	(Y
Reclassification adjustment for gains included in net loss.....		(46,325)	
Total.....		(604,908)	
Cumulative effect of a change in accounting principle.....		2,065	
Net unrealized gains on derivatives qualifying for cash flow hedges.....		7,982	
Reclassification adjustment for gains included in net loss.....		(4,254)	
Total.....		5,793	
Minimum pension liability adjustments.....		(122,746)	
Foreign currency translation adjustments.....		84,355	
Reclassification adjustment for losses included in net loss.....		115	
Total.....		84,470	
Total changes in equity from nonowner sources.....			
Fiscal year ended March 31, 2003:			
Net income.....			
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale..	(Yen)	(846,396)	(Y
Reclassification adjustment for gains included in net income.....		1,553	
Total.....		(844,843)	
Net unrealized gains on derivatives qualifying for cash flow hedges.....		10,885	
Reclassification adjustment for gains included in net income.....		(9,545)	
Total.....		1,340	
Minimum pension liability adjustments.....		(132,113)	
Foreign currency translation adjustments.....		(54,698)	
Reclassification adjustment for losses included in net income.....		591	
Total.....		(54,107)	
Total changes in equity from nonowner sources.....			
Fiscal year ended March 31, 2004:			
Net income.....			
Other changes in equity from nonowner sources:			
Net unrealized holding gains on investment securities available for sale...	(Yen)	838,294	(Y
Reclassification adjustment for gains included in net income.....		(138,371)	
Total.....		699,923	
Net unrealized gains on derivatives qualifying for cash flow hedges.....		4,286	
Reclassification adjustment for gains included in net income.....		(9,227)	
Total.....		(4,941)	
Minimum pension liability adjustments.....		167,510	
Foreign currency translation adjustments.....		(38,863)	

Reclassification adjustment for losses included in net income.....	9,839
Total.....	(29,024)
Total changes in equity from nonowner sources.....	

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	2002
Preferred stock (Class 1) (Note 18):	
Balance at beginning of fiscal year.....	(Yen) 122,100
Balance at end of fiscal year.....	(Yen) 122,100
Preferred stock (Class 2) (Note 18):	
Balance at beginning of fiscal year.....	(Yen) 100,000
Conversion of Class 2 preferred stock to common stock.....	--
Balance at end of fiscal year.....	(Yen) 100,000
Common stock (Note 19):	
Balance at beginning of fiscal year.....	(Yen) 856,664
Issuance of new shares of common stock.....	--
Issuance of new shares of common stock in exchange for the minority shares of Nippon Trust Bank Limited.....	16,492
Issuance of new shares of common stock by conversion of Class 2 preferred stock.	--
Balance at end of fiscal year.....	(Yen) 873,156
Capital surplus (Note 19):	
Balance at beginning of fiscal year.....	(Yen) 831,105
Issuance of new shares of common stock.....	--
Recognition of tax benefit arising from treasury stock held by subsidiaries.....	--
Issuance of new shares of common stock in exchange for the minority shares of Nippon Trust Bank Limited.....	16,120
Gains (losses) on sales of shares of treasury stock, net of taxes.....	3,610
Balance at end of fiscal year.....	(Yen) 850,835
Retained earnings appropriated for legal reserve (Note 20):	
Balance at beginning of fiscal year.....	(Yen) 221,689
Transfer from unappropriated retained earnings.....	14,848
Balance at end of fiscal year.....	(Yen) 236,537
Unappropriated retained earnings (Note 20):	

Balance at beginning of fiscal year	(Yen)	271,246
Net income (loss)		(216,534)
Total		54,712
Deduction:		
Cash dividends (Note 1):		
Common share--(Yen)4,127.63 in 2002, (Yen)6,000.00 in 2003 and (Yen)4,000.00 in 2004 per share		(24,103)
Preferred share (Class 1)--(Yen)41,250.00 in 2002, (Yen)123,750.00 in 2003 and (Yen)82,500.00 in 2004 per share		(3,358)
Preferred share (Class 2)--(Yen)8,100.00 in 2002, (Yen)24,300.00 in 2003 and (Yen)16,200.00 in 2004 per share		(810)
Transfer to retained earnings appropriated for legal reserve		(14,848)
Total		(43,119)
Balance at end of fiscal year (Note 33)	(Yen)	11,593
Accumulated other changes in equity from nonowner sources, net of taxes:		
Net unrealized gains on investment securities available for sale (Note 4):		
Balance at beginning of fiscal year	(Yen)	1,202,245
Net change during the fiscal year		(374,965)
Balance at end of fiscal year	(Yen)	827,280
Net unrealized gains on derivatives qualifying for cash flow hedges (Note 23):		
Balance at beginning of fiscal year	(Yen)	--
Cumulative effect of a change in accounting principle		1,257
Net change during the fiscal year		2,439
Balance at end of fiscal year	(Yen)	3,696
Minimum pension liability adjustments (Note 16):		
Balance at beginning of fiscal year	(Yen)	(90,364)
Net change during the fiscal year		(91,931)
Balance at end of fiscal year	(Yen)	(182,295)
Foreign currency translation adjustments:		
Balance at beginning of fiscal year	(Yen)	(204,457)
Net change during the fiscal year		79,026
Balance at end of fiscal year	(Yen)	(125,431)
Balance at end of fiscal year	(Yen)	523,250
Treasury stock:		
Balance at beginning of fiscal year	(Yen)	(108,932)
Purchases of shares of treasury stock		(7,381)
Sales of shares of treasury stock		25,339
Net increase resulting from changes in consolidated subsidiaries		--
Balance at end of fiscal year	(Yen)	(90,974)
Total shareholders' equity	(Yen)	2,626,497

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

		2002
Cash flows from operating activities:		
Net income (loss)	(Yen)	(216,53
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss (income) from discontinued operations--net		(1,23
Depreciation and amortization		105,05
Goodwill amortization		7,86
Provision (credit) for credit losses		598,41
Investment securities losses (gains)--net		(20,60
Foreign exchange losses (gains)--net		524,27
Provision for deferred income tax expense (benefit)		(126,19
Increase in trading account assets, excluding foreign exchange contracts		(196,04
Increase (decrease) in trading account liabilities, excluding foreign exchange contracts		(1,604,00
Decrease in accrued interest receivable and other receivables		128,64
Decrease in accrued interest payable and other payables		(190,98
Other--net		68,61
Net cash provided by (used in) operating activities		(922,74
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale		34,164,31
Proceeds from maturities of investment securities available for sale		8,495,28
Purchases of investment securities available for sale		(45,404,68
Proceeds from maturities of investment securities being held to maturity		36,97
Purchases of investment securities being held to maturity		-
Proceeds from sales of other investment securities		53,87
Purchases of other investment securities		(19,11
Net decrease (increase) in loans		(552,86
Net decrease in interest-earning deposits in other banks		1,920,10
Net decrease (increase) in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions		927,97
Proceeds from sales of premises and equipment		49,03
Capital expenditures for premises and equipment		(110,39
Other--net		(107,40
Net cash used in investing activities		(546,88
Cash flows from financing activities:		
Net increase in deposits		2,274,80
Net decrease in debentures		(1,136,95
Net increase in call money, funds purchased, and payables under repurchase agreements and securities lending transactions		88,08
Net decrease in due to trust account		(1,390,49
Net increase (decrease) in other short-term borrowings		1,355,66
Proceeds from issuance of long-term debt		884,99
Repayment of long-term debt		(767,31
Proceeds from issuance of new shares of common stock, net of stock issue		

expenses		-
Proceeds from sales of treasury stock		32,57
Payments to acquire treasury stock		(7,38
Dividends paid		(28,27
Other--net		202,48
Net cash provided by financing activities		1,508,17
Effect of exchange rate changes on cash and cash equivalents		64,19
Net increase (decrease) in cash and cash equivalents		102,73
Cash and cash equivalents at beginning of fiscal year		1,729,66
Cash and cash equivalents at end of fiscal year	(Yen)	1,832,39
Supplemental disclosure of cash flow information:		
Cash paid during the fiscal year for:		
Interest	(Yen)	1,127,03
Income taxes, net of refunds		98,19
Non-cash investing activities:		
Loans transferred to other real estate owned		7,60
Available-for-sale securities transferred to held-to-maturity category (Note 4)		-
Marketable equity securities transferred to employee retirement benefit trusts		133,15

		2004
Cash flows from operating activities:		
Net income (loss)	(Yen)	822,24
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss (income) from discontinued operations--net		58
Depreciation and amortization		119,38
Goodwill amortization		-
Provision (credit) for credit losses		(114,10
Investment securities losses (gains)--net		(118,64
Foreign exchange losses (gains)--net		(486,89
Provision for deferred income tax expense (benefit)		308,03
Increase in trading account assets, excluding foreign exchange contracts		(430,35
Increase (decrease) in trading account liabilities, excluding foreign exchange contracts		440,85
Decrease in accrued interest receivable and other receivables		17,69
Decrease in accrued interest payable and other payables		(28,19
Other--net		87,31
Net cash provided by (used in) operating activities		617,92
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale		29,334,67
Proceeds from maturities of investment securities available for sale		15,361,76
Purchases of investment securities available for sale		(47,106,70
Proceeds from maturities of investment securities being held to maturity		59,79
Purchases of investment securities being held to maturity		(1,051,59
Proceeds from sales of other investment securities		36,23
Purchases of other investment securities		(115,63
Net decrease (increase) in loans		(1,240,29
Net decrease in interest-earning deposits in other banks		260,12
Net decrease (increase) in call loans, funds sold, and receivables under resale agreements		

and securities borrowing transactions		(4,380,80
Proceeds from sales of premises and equipment		38,44
Capital expenditures for premises and equipment		(51,96
Other--net		(267,63
Net cash used in investing activities		(9,123,59
Cash flows from financing activities:		
Net increase in deposits		4,061,82
Net decrease in debentures		(370,10
Net increase in call money, funds purchased, and payables under repurchase agreements and securities lending transactions		338,17
Net decrease in due to trust account		(21,34
Net increase (decrease) in other short-term borrowings		2,833,09
Proceeds from issuance of long-term debt		1,300,37
Repayment of long-term debt		(712,98
Proceeds from issuance of new shares of common stock, net of stock issue expenses		-
Proceeds from sales of treasury stock		94
Payments to acquire treasury stock		(46
Dividends paid		(32,84
Other--net		5,76
Net cash provided by financing activities		7,402,42
Effect of exchange rate changes on cash and cash equivalents		(73,37
Net increase (decrease) in cash and cash equivalents		(1,176,61
Cash and cash equivalents at beginning of fiscal year		4,288,58
Cash and cash equivalents at end of fiscal year	(Yen)	3,111,96
Supplemental disclosure of cash flow information:		
Cash paid during the fiscal year for:		
Interest	(Yen)	454,54
Income taxes, net of refunds		58,83
Non-cash investing activities:		
Loans transferred to other real estate owned		75
Available-for-sale securities transferred to held-to-maturity category (Note 4)		78,34
Marketable equity securities transferred to employee retirement benefit trusts		87,58

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

On April 2, 2001, Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG") was established, as a bank holding company, through which The Bank of Tokyo-Mitsubishi, Ltd. ("BTM"), The Mitsubishi Trust and Banking Corporation ("Mitsubishi Trust"), and Nippon Trust Bank Limited ("NTB"), a former subsidiary of BTM, have become wholly-owned

subsidiaries pursuant to stock-for-stock exchanges. NTB was later merged into Mitsubishi Trust. The business combination was accounted for as a pooling of interests and, accordingly, the historical information has been restated as if the combination had been in effect for all periods presented.

On October 1, 2001, as part of the business combination, NTB and The Tokyo Trust Bank, Ltd. ("TTB"), which was another one of the trust subsidiaries, merged with and into Mitsubishi Trust through a stock-for-stock exchange. This merger was recorded at historical cost as transfers and exchanges among entities under common control.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which MTFG is incorporated and principally operates. The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("US GAAP"). In certain respects, the accompanying consolidated financial statements reflect adjustments which are not included in the consolidated financial statements issued by MTFG and certain of its subsidiaries in accordance with applicable statutory requirements and accounting practices in the countries of incorporation. The major adjustments include those relating to (1) investment securities, (2) derivative financial instruments, (3) allowance for credit losses, (4) income taxes, (5) foreign currency translation, (6) premises and equipment, (7) transfer of financial assets, (8) pension liability, (9) goodwill, and (10) lease transactions.

Fiscal periods of certain subsidiaries, which ended on or after December 31, and MTFG's fiscal year, which ended on March 31, have been treated as coterminous. For the fiscal years ended March 31, 2002, 2003 and 2004, the effect of recording intervening events for the three-month periods ended March 31 on MTFG's proportionate equity in net income of subsidiaries with fiscal periods ending on December 31, would have resulted in a decrease of (Yen)2.29 billion, an increase of (Yen)3.18 billion and an increase of (Yen)2.64 billion, respectively, to net income. No intervening events occurred during each of the three-month periods ended March 31, 2002, 2003 and 2004 which, if recorded, would have had effects of more than 1% of total assets, loans, total liabilities, deposits or shareholders' equity as of March 31, 2002, 2003 and 2004.

Description of Business

MTFG and its subsidiaries (together, the "MTFG Group") conduct domestic and international financial business through BTM and Mitsubishi Trust, each of the principal subsidiaries of MTFG having domestic and international networks of branches, offices and subsidiaries in Japan and around the world. BTM is a major commercial banking institution, providing a broad range of financial services to consumers and corporations through commercial banking, investment banking and other activities. Mitsubishi Trust is a trust and banking subsidiary whose primary business encompasses banking, asset management and administration, fiduciary and agency services, and real estate services. MTFG management recognizes that BTM and Mitsubishi Trust, including their subsidiaries, conducting each of their business with substantial autonomy, constitute principal segments of the MTFG Group. See Note 28 for more information by business segment.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term primarily relate to the allowance for credit losses on loans and off-balance-sheet credit instruments, deferred tax assets, derivative financial instruments, goodwill, investment securities and accrued severance indemnities and pension liabilities.

Summary of Significant Accounting Policies

Significant accounting policies applied in the accompanying consolidated financial statements are summarized below:

Consolidation--The consolidated financial statements include the accounts of MTFG and its subsidiaries over which control is exercised through either majority ownership of voting stock and/or other means, including, but not limited to, the possession of the power to direct or cause the direction of the management and policies of entities. In situations in which the MTFG Group has less than 100% but greater than 50% of ownership in entities, such entities are consolidated and minority interests are also recorded in Other liabilities. Intercompany items have been eliminated. Investments in affiliated companies (companies over which the MTFG Group has the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in Other assets. MTFG's equity interests in the earnings of these equity investees and gains or losses realized on disposition of such investments are reported in Other non-interest income.

Assets that the MTFG Group holds in an agency, fiduciary or trust capacity are not assets of the MTFG Group and, accordingly, are not included in the accompanying consolidated balance sheets.

Variable interest entities created after January 31, 2003 for which MTFG is deemed to be the primary beneficiary are consolidated when the MTFG Group has a variable interest that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected returns, or both. See Accounting Changes--Variable Interest Entities and Note 25.

Cash Flows--For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the consolidated balance sheets under the caption Cash and due from banks with original maturities of 90 days or less. Cash flows from qualified hedging activities are classified in the same category as the items being hedged.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions--Financial statements of overseas entities are translated into Japanese yen using the respective year-end exchange rates for assets and liabilities. Income and expense items are translated at average rates of exchange for the respective periods.

Except for overseas entities located in highly inflationary economies, foreign currency translation gains and losses related to the financial statements of overseas entities of the MTFG Group, net of related income tax effects, are credited or charged directly to Foreign currency translation adjustments, a component of accumulated other changes in equity from nonowner sources. Tax effects of gains and losses on foreign currency translation of financial statements of overseas entities are not recognized unless it is apparent that

the temporary differences

will reverse in the foreseeable future. If applicable, foreign exchange translation gains and losses pertaining to entities located in highly inflationary economies are recorded in Foreign exchange gains (losses)--net, as appropriate. For these entities, premises and equipment and the related depreciation and amortization thereof are translated at exchange rates prevailing at dates of acquisition.

Foreign currency denominated assets and liabilities are translated into Japanese yen at the respective year-end foreign exchange rates. Foreign currency denominated income and expenses are translated using average rates of exchange for the respective periods. Gains and losses from such translation are included in Foreign exchange gains (losses)--net, as appropriate.

Repurchase Agreements, Securities Lending and Other Secured Financing Transactions--Securities sold with agreements to repurchase ("repurchase agreements"), securities purchased with agreements to resell ("resale agreements") and securities lending and borrowing transactions are accounted for as sales of securities with related off-balance-sheet forward repurchase commitments or purchases of securities with related off-balance-sheet forward resale commitments, if they meet the relevant conditions for the surrender of control as provided by Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125." If the conditions are not met, the transactions are treated as secured financing or lending.

Collateral--For secured lending transactions, including resale agreements, securities borrowing transactions, commercial lending and derivative transactions, the MTFG Group, as a secured party, has generally the right to require the counterparties to provide collateral, including letters of credit, cash, securities and other financial assets. For most securities lending transactions, the MTFG Group maintains strict levels of collateralization governed by daily mark-to-market analysis. Financial assets pledged as collateral are generally negotiable financial instruments and are permitted to be sold or repledged by secured parties. If the MTFG Group sells these financial assets received as collateral, it recognizes the proceeds from the sale and its obligation to return the collateral. For secured borrowing transactions, principally repurchase agreements and securities lending transactions and derivative transactions, where the secured party has the right to sell or repledge financial assets pledged as collateral, the MTFG Group separately discloses those financial assets pledged as collateral in the consolidated balance sheets.

Trading Account Securities--Securities and money market instruments held in anticipation of short-term market movements and for resale to customers are included in Trading account assets, and short trading positions of these instruments are included in Trading account liabilities. Trading positions are carried at fair value on the consolidated balance sheets and recorded on a trade date basis. Changes in the fair value of trading positions are recognized currently in Trading account profits--net, as appropriate.

Investment Securities--Debt securities for which the MTFG Group has both the

positive intent and ability to hold to maturity are classified as Securities being held to maturity and carried at amortized cost. Debt securities that the MTFG Group may not hold to maturity and marketable equity securities, other than those classified as trading account securities, are classified as Securities available for sale, and are carried at their fair values, with unrealized gains and losses reported on a net-of-tax basis within accumulated other changes in equity from nonowner sources, which is a component of shareholders' equity. Nonmarketable equity securities are stated at cost as Other investment securities.

Individual debt and equity securities are written down to fair value with the resulting losses charged to operations when, in the opinion of management, a decline in estimated fair value below the cost of such securities is other than temporary. Such impairment loss is included in Investment securities gains (losses)--net in the statement of

operations. In determining other than temporary declines in fair value to be recognized as an impairment loss on investment securities, the MTFG Group generally considers factors such as the financial condition of the issuer, the extent of decline in fair value, and the length of period that the decline in fair value below cost has existed. See Note 4 for a further discussion of other-than-temporary impairment. Interest and dividends on investment securities are reported in Interest Income. Dividends are recognized when the shareholders' right to receive the dividend is established. Gains and losses on disposition of investment securities are computed using the average cost method and are recognized on the trade date.

Derivative Financial Instruments--The MTFG Group engages in derivative activities involving swaps, forwards and options, and other types of derivative contracts. Derivatives are used in trading activities to generate trading revenues and fee income for its own account and to respond to the customers' financial needs. Derivatives are also used to manage its exposures to fluctuations in interest and foreign exchange rates, equity and commodity prices.

Derivatives entered into for trading purposes are carried at fair value and are reported as Trading account assets or Trading account liabilities. Fair values are based on market or broker-dealer quotes when available. Valuation models such as present value and pricing models are applied to current market information to estimate fair values when such quotes are not available. The MTFG Group defers trade date gains or losses on derivatives where the fair values of those derivatives are not obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data. The fair values of derivative contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. Changes in the fair value of such contracts are recognized currently in Foreign exchange gains (losses)--net with respect to foreign exchange contracts and in Trading account profits--net with respect to interest rate contracts and other types of contracts.

Embedded derivatives that are not clearly and closely related to the host contracts and meet the definition of derivatives are separated from the host contracts and measured at fair value unless the contracts embedding the

derivatives are measured at fair value in their entirety.

Derivatives are also used for asset and liability management to manage exposures to fluctuations in interest and foreign exchange rates arising from mismatches of asset and liability positions. Such derivatives may include contracts that qualify for hedge accounting. At inception of hedge accounting, each derivative is designated as a hedging instrument and documented with related information such as the risk management objective and strategy for the hedge, which includes the hedged item, the risk being hedged and the method used to assess the hedge's effectiveness. Derivatives are evaluated in order to determine if they qualify for hedge accounting. The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged. Any ineffectiveness, which arises during the hedging relationship, is recognized in Non-interest income or expense in the period in which it arises. All qualifying hedging derivatives are valued at fair value and included in Other assets or Other liabilities. For fair value hedges of interest-bearing assets or liabilities, the change in the fair value of the hedged item and the hedging instruments is recognized in net interest income to the extent that it is effective. For all other fair value hedges, the change in the fair value of the hedged item and change in fair value of the derivative are recognized in non-interest income or expense. For cash flow hedges, the unrealized changes in fair value to the extent effective are recognized in accumulated other changes in equity from nonowner sources. Amounts realized on cash flow hedges related to variable rate loans are recognized in net interest income in the period when the cash flow from the hedged item is realized. The fair value of cash flow hedges related to forecasted transactions, if

any, is recognized in non-interest income or expense in the period when the forecasted transaction occurs. Any difference that arises from gains or losses on hedging derivatives offsetting corresponding gains or losses on the hedged items, and gains and losses on derivatives attributable to the risks excluded from the assessment of hedge effectiveness are currently recognized in non-interest income or expense. Derivatives that do not qualify for hedge accounting are considered trading positions and are accounted for as such.

Loans--Loans are carried at the principal amount outstanding, adjusted for unearned income and deferred net nonrefundable loan fees and costs. Loans held and intended for dispositions or sales in secondary markets are transferred to the held-for-sale classification and carried at the lower of cost or estimated fair value generally on an individual loan basis. Loan origination fees, net of certain direct origination costs are deferred and recognized over the contractual life of the loan as an adjustment of yield using the method that approximates the interest method. Interest income on loans that are not impaired is accrued and credited to interest income as it is earned. Unearned income and discounts or premiums on purchased loans are deferred and recognized over the life of the loan using a method that approximates the interest method.

Loans are considered impaired when, based on current information and events, it is probable that the MTFG Group will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that

experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Loans are generally placed on nonaccrual status when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due one month or more with respect to loans of domestic banking subsidiaries, including BTM and Mitsubishi Trust, and 90 days or more with respect to loans of certain foreign banking subsidiaries. A nonaccrual loan may be restored to an accrual basis when interest and principal payments are current and management expects that the borrower will make future contractual payments as scheduled. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. Cash receipts on nonaccrual loans, for which the ultimate collectibility of principal is uncertain, are applied as principal reductions; otherwise, such collections are credited to income. The MTFG Group does not capitalize any accrued interest in its principal balances of impaired loans at each balance sheet date.

Loan Securitization--The MTFG Group securitizes and services commercial and industrial loans in the normal course of business. The MTFG Group accounts for a transfer of loans in a securitization transaction as a sale if it meets relevant conditions for the surrender of control in accordance with SFAS No. 140. Otherwise, the transfer is accounted for as a collateralized borrowing transaction. Interests in loans sold through a securitization accounted for as a sale may be retained in the form of subordinated tranches or beneficial interests. These retained interests are primarily recorded in Securities available for sale. The previous carrying amount of the loans involved in the transfer is allocated between the loans sold and the retained interests based on their relative fair values at the date of the securitization. Since quoted market prices are generally not available, the MTFG Group usually estimates fair value of these retained interests based on the present value of future expected cash flows by using modeling techniques that involve management's best estimates of key assumptions, which may

include default rates, recovery rates, and discount rates. Retained interests that can contractually be prepaid or otherwise settled in such a way that the MTFG Group would not recover substantially all of its investment are accounted for as investment securities available for sale.

Allowance for Credit Losses--The MTFG Group maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. Actual credit losses (amounts deemed uncollectible, in whole or in part), net of recoveries, are deducted from the allowance for credit losses, as net charge-offs, generally based on detailed loan reviews and a credit assessment by management at each balance-sheet date. The MTFG Group generally applies its charge-off policy to all loans in its portfolio regardless of the type of borrower. A provision for

credit losses, which is a charge against earnings, is added to bring the allowance to a level which, in management's opinion, is appropriate to absorb probable losses inherent in the credit portfolio.

A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, the MTFG Group evaluates the probable loss by category of loan based on its type and characteristics.

The allowance for credit losses for non-homogeneous loans consists of an allocated allowance for specifically identified problem loans, an allocated allowance for country risk exposure, a formula allowance and an unallocated allowance. An allocated allowance is also established for large groups of smaller-balance homogeneous loans. Non-homogeneous loans such as commercial loans are evaluated individually and the allowance for such loans is comprised of specific, country risk, formula and unallocated allowances.

The credit loss allowance for individual customers represents the impairment allowance determined in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." The MTFG Group measures the impairment of a loan, with the exception of large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, based on the present value of expected future cash flows discounted at the loan's effective interest rate, or on the loan's observable market price, or based on the fair value of the collateral if the loan is collateral dependent, when it is probable that the MTFG Group will be unable to collect all amounts due according to the contractual terms of the loan agreement. For certain subsidiaries, some impaired loans are aggregated for the purpose of measuring impairment using historical loss factors. Generally, the MTFG Group's impaired loans include nonaccrual loans, restructured loans and other loans specifically identified as impaired.

The credit loss allowance for country risk exposure is a country-specific allowance for substandard, special mention and unclassified loans. The allowance is established to supplement the formula allowance for these loans, based on an estimate of probable losses relating to the exposure to countries that are identified by management to have a high degree of transfer risk. The measure is generally based on a function of default probability and the recovery ratio with reference to external credit ratings. For the allowance for specifically identified cross-border problem loans, the MTFG Group incorporates transfer risk in its determination of related allowance for credit losses.

The formula allowance is calculated for groups of loans collectively evaluated for unidentified impairment by applying loss factors to outstanding substandard, special mention and unclassified loans. The evaluation of inherent loss for these loans involves a high degree of uncertainty, subjectivity and judgment because probable credit losses are not easily identifiable or measurable. In determining the formula allowance, the MTFG Group,

therefore, relies on a statistical analysis that incorporates loss factor percentages of total loans outstanding based on historical experience. Corresponding to the periodical impairment identification and self-assessment process, the estimation of the formula allowance is back-tested by comparing the allowance with the actual results subsequent to the balance sheet date.

The unallocated allowance represents an estimate of additional losses inherent in the loan portfolio and is composed of attribution factors, which are based upon management's evaluation of various conditions that are not directly or indirectly measured in the determination of the allocated allowance. The conditions evaluated in connection with the unallocated allowance may include existing general economic and business conditions affecting the key lending areas of the MTFG Group, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions within portfolio segments, recent loss experience in particular segments of the portfolio, duration of the current business cycle, bank regulatory examination results and findings of the MTFG Group's internal credit examiners.

The credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pool rather than on a detailed analysis of individual loans. The allowance is determined primarily based on probable net charge-offs and the probability of insolvency based on the number of delinquencies.

Allowance for Off-Balance-Sheet Credit Instruments--The MTFG Group maintains an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, standby letters of credit and other financial instruments. The allowance is recorded as a liability and includes the specific allowance for specifically identified credit exposure and the allocated formula allowance. With regard to the specific allowance for specifically identified credit exposure and allocated formula allowance, the MTFG Group adopts the same methodology used in determining the allowance for loan credit losses. Potential credit losses related to derivatives are considered in the fair valuation of the derivatives.

Net changes in the allowance for off-balance-sheet credit instruments are accounted for as Other non-interest expenses.

Premises and Equipment--Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is charged to operations over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the terms of the respective leases or the estimated useful lives of the improvements, whichever are shorter. Depreciation of premises and equipment is computed under the declining-balance method with respect to premises and equipment of BTM, Mitsubishi Trust and certain other subsidiaries, and under the straight-line method with respect to premises and equipment of other subsidiaries, at rates principally based on the following estimated useful lives:

	Years
Buildings	15 to 50
Equipment and furniture	4 to 15
Leasehold improvements	3 to 39

Maintenance, repairs and minor improvements are charged to operations as incurred. Major improvements are capitalized. Net gains or losses on

dispositions of premises and equipment are included in Other non-interest income or expense, as appropriate.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured

by a comparison of the carrying amount to future undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets are grouped with other assets and liabilities at the lowest level with independent and identifiable cash flows. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less estimated cost to sell.

Other Real Estate Owned--Real estate assets acquired in full or partial satisfaction of debt are held for sale, and are initially recorded at fair value less estimated cost to sell at the date of acquisition and classified as Other assets. After acquisition, valuations are periodically performed by management and the real estate assets are carried at the lower of the carrying amount or fair value less estimated cost to sell. Routine holding costs, subsequent declines in appraisal value, and net gains or losses on disposal are included in Losses (gains) on other real estate owned as incurred.

Goodwill--The MTFG Group has classified as goodwill the excess of the cost of the MTFG Group's investments in subsidiaries over the MTFG Group's share of net assets at dates of acquisition in purchase transactions. Goodwill related to the investments in affiliated companies is included in the investments accounted for by the equity method. On April 1, 2002, the MTFG Group adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which provides goodwill acquired in a purchase business combination should not be amortized and is subject to an impairment test. Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. An impairment loss, if any, is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value. Prior to the adoption of SFAS No. 142, in accordance with Accounting Principles Board Opinion ("APB") No. 17, goodwill was amortized over periods not exceeding 10 years.

Software--The MTFG Group capitalizes certain costs associated with the acquisition or development of internal-use software. Costs subject to capitalization are salaries and employee benefits for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project. Once the software is ready for its intended use, the MTFG Group begins to amortize capitalized costs on a straight-line basis over its estimated useful life.

Accrued Severance and Pension Liabilities--BTM, Mitsubishi Trust and certain other subsidiaries have defined benefit retirement plans, including lump-sum severance indemnities plans. The costs of the plans, based on actuarial computations of current and future employee benefits, are charged to Salaries and employee benefits.

Debentures and Long-Term Debt--Premiums, discounts and issuance costs of debentures and long-term debt are amortized based on the method that approximates the interest method over the terms of the debentures and long-term debt.

Obligations under Guarantees--The MTFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protections, and liquidity facilities. The MTFG Group recognizes guarantee fee income over the guarantee period. It is MTFG's dominant business practice to receive such a guarantee fee at the inception of the guarantee, which approximates market value of the guarantee and is initially recorded as a liability, which is then recognized as guarantee fee income ratably over the guarantee period.

Fees and Commissions--Revenue recognition of major components of fees and commissions is as follows:

.. Fees on funds transfer and collection services and fees from investment banking services are generally recognized as revenue when the related services are performed.

.. Fees from trade-related financing services are recognized over the period of the financing.

.. Trust fees are recognized on an accrual basis, generally based on the volume of trust assets under management and/or the operating performance for the accounting period of each trust account. With respect to trust accounts with guarantee of trust principal, trust fees are determined based on the profits earned by individual trust account during the trust accounting period, less deductions, including provision for reserve, impairment for individual investments and dividends paid to beneficiary certificate holders. The trust fees for these trust accounts are accrued based on the amounts expected to be earned during the accounting period of each trust account.

.. Annual fees and royalty and other service charges related to the credit card business are recorded on a straight-line basis as services are provided.

.. Interchange income from the credit card business is recognized as billed.

.. Service charges on deposit accounts and fees and commissions from other services are generally recognized over the period that the service is provided.

.. Fees on guarantees are generally recognized over the contractual periods of the respective guarantees. Amounts initially recorded as a liability corresponding to the obligations at fair value are generally recognized as revenue over the terms of the guarantees as the MTFG Group is deemed to be released from the risk under guarantees.

Income Taxes--The provision for income taxes is determined using the asset and liability method of accounting for income taxes. Under this method, deferred

income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized. The provision for deferred taxes is based on the change in the net deferred tax asset or liability from period to period.

Free Distributions of Common Shares--As permitted by the Commercial Code of Japan (the "Code"), Japanese companies, upon approval by the Board of Directors, may make a free distribution of shares, in the form of a "stock split" as defined, to shareholders. In accordance with generally accepted accounting practice in Japan, such distribution does not give rise to any change in capital stock or capital surplus accounts. Common shares distributed are recorded as shares issued on the distribution date. See Note 19.

Amounts per Common Share--Basic earnings per share ("EPS") excludes dilutive effects of potential common shares and is computed by dividing income available to common stock shareholders by the weighted average number of common shares outstanding for the period, while diluted EPS gives effect to all dilutive potential common shares that were outstanding during the period. See Note 22 for the computation of basic and diluted EPS.

Comprehensive Income (Loss)--The MTFG Group's comprehensive income includes net income or loss and other changes in equity from nonowner sources. All changes in unrealized gains and losses on investment securities available for sale, unrealized gains and losses on derivatives qualifying for cash flow hedges, minimum pension liability adjustments and foreign currency translation adjustments constitute the MTFG Group's changes in equity from nonowner sources and are presented, with related income tax effects, in the consolidated statements of changes in equity from nonowner sources.

Stock-Based Compensation--In December 2002, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure, an amendment of FASB Statement No. 123," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to

provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure requirements to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition and annual disclosure requirements under this Statement are effective for financial statements for fiscal years ending after December 15, 2002.

Two subsidiaries of MTFG have several stock-based compensation plans, which are described more fully in Note 31. As permitted by the provisions of SFAS No. 123, they account for those stock-based compensation plans by the intrinsic value-based method prescribed in APB No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Under the intrinsic value-based method, compensation expense is measured as the amount by which quoted market price of these subsidiaries' stock at the date of grant exceeds the stock option exercise price.

Had the stock-based compensation plans been accounted for under the fair value method of SFAS No. 123, the MTFG Group's compensation expense, net income (loss), and net income (loss) per share would have been the pro forma amounts indicated in the following table.

	Fiscal years end			
	2002		2003	
-				(in mill
Reported net income (loss)	(Yen)	(216,534)	(Yen)	20
Stock-based employee compensation expense (determined under fair value based method for all awards, net of tax)		(1,369)		(
Pro forma net income (loss), after stock-based employee compensation expense	(Yen)	(217,903)	(Yen)	20
Basic earnings (loss) per common share--net income (loss) available to common shareholders:				(in Ye
Reported	(Yen)	(39,733.32)	(Yen)	33,9
Pro forma		(39,979.72)		33,6
Diluted earnings (loss) per common share--net income (loss) available to common shareholders:				
Reported		(39,733.32)		31,1
Pro forma		(39,979.72)		30,7

Stock-based compensation expense included in net income for the fiscal years ended March 31, 2002, 2003 and 2004 was not significant.

Accounting Changes

Variable Interest Entities--In January 2003, the FASB issued FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." FIN No. 46 addresses consolidation by business enterprises of variable interest entities ("VIEs"). The consolidation requirements of FIN No. 46 apply immediately to VIEs created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003, which has been amended by the FASB as described below.

In December 2003, the FASB issued FIN No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN No. 46R"). FIN No. 46R modifies FIN No. 46 in certain

respects including the scope exception, the definition of VIEs, and other factors that would affect the determination of VIEs and primary beneficiaries that must consolidate VIEs. FIN No. 46R, as written, applies to VIEs created before February 1, 2003 no later than the end of the first reporting period

that ends after March 15, 2004, and to all special purpose entities no later than the first reporting period that ends after December 15, 2003. Subsequent to the Issuance of FIN No. 46R, the Chief Accountant of the U.S. Securities and Exchange Commission ("SEC") stated the SEC staff's position in a letter to the American Institute of Certified Public Accountants ("AICPA") dated March 3, 2004, that the SEC staff does not object to the conclusion that FIN No. 46R should not be required to be applied at a date earlier than the original FIN No. 46 and that foreign private issuers would be required to apply FIN No. 46R at various dates depending on the entity's year-end and the frequency of interim reporting. In accordance with the letter, MTFG is required to adopt FIN No. 46R in the fiscal year ending March 31, 2005. MTFG has applied, as required, FIN No. 46 to all VIE's created after January 31, 2003. See Note 25 for further discussion of variable interest entities in which the Group holds variable interests.

Accounting for Asset Retirement Obligations--Effective April 1, 2003, the MTFG Group adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to the legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset. A legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppel. The adoption of SFAS No. 143 did not have a material impact on the MTFG Group's financial position or results of operations.

Certain Financial Instruments with Characteristics of both Liabilities and Equity--In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, which is the MTFG Group's fiscal year ending March 31, 2005. On November 7, 2003, FASB Staff Position No. 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," delayed the effective date of certain provisions of SFAS No. 150 for certain mandatorily redeemable noncontrolling interests.

The MTFG Group is not a party to any financial instruments entered into after May 31, 2003, to which SFAS No. 150 must be applied immediately, but has not completed evaluating the impact of the adoption of SFAS No. 150 to other instruments. Accordingly, the MTFG Group cannot reasonably estimate the ultimate impact of SFAS No. 150 on its financial position or results of operations.

Disclosure about pension and other postretirement benefit--In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106" ("SFAS No. 132R"), which replaces existing FASB disclosure requirements for pensions. SFAS No. 132R requires disclosure of more details about plan assets, benefit obligations, cash flows, benefit costs and other relevant information. SFAS No. 132R is generally effective for the fiscal years ending after December 15, 2003, and for interim periods beginning after December 15, 2003. See Note 16 for the required disclosure.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Impairment of securities investments--In November 2003, the FASB Emerging Issues Task Force (the "EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). EITF 03-1 requires certain additional quantitative and qualitative disclosures in addition to the disclosures already required by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The new disclosure requirements are applied to financial statements for the fiscal years ending after December 15, 2003. See Note 4 for the required disclosures. In March 2004, the EITF also reached a consensus on additional accounting guidance for other-than-temporary impairments, which requires an evaluation and recognition of other-than-temporary impairment by a three-step impairment test. The guidance should be applied for reporting periods beginning after June 15, 2004. The MTFG Group has not completed its study of what effect the guidance will have on its financial position or results of operations.

Guarantor's Accounting and Disclosure Requirements for Guarantees--Effective January 1, 2003, the MTFG Group adopted the initial recognition and measurement provisions of FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB interpretation No. 34," which requires that, for guarantees within the scope of FIN No. 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. The adoption of FIN No. 45 did not have a material impact on the MTFG Group's financial position or results of operations.

Costs Associated with Exit or Disposal Activities--In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The adoption of SFAS No. 146 did not have a material impact on the MTFG Group's financial position or results of operations.

Goodwill and Other Intangible Assets--Effective April 1, 2002, the MTFG Group adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill, formerly amortized over its useful life, no longer be amortized but rather tested for impairment at least annually. Further, SFAS No. 142 requires that intangible assets that have finite useful lives will continue to be amortized over their useful lives while intangible assets with indefinite lives will no longer be amortized and are subject to impairment testing at least annually.

The MTFG Group performed the required transitional impairment tests of goodwill and intangible assets with indefinite lives upon adoption of SFAS No. 142. The initial adoption resulted in a cumulative adjustment charge to earnings of (Yen)532 million.

Derivative Instruments and Hedging Activities--On April 1, 2001, the MTFG Group adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging

Activities," as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires that all derivatives, whether designated as a hedge or not, be recorded on the balance sheet at fair value. SFAS No. 133 also requires that derivative instruments used to hedge be identified specifically to assets, liabilities, firm commitments or anticipated transactions and be expected to remain effective throughout the life of the hedge. Derivative instruments that do not qualify as either a fair value hedge or cash flow hedge are valued at fair value and classified as trading account assets or liabilities with the resultant gain or loss recognized in current earnings. The cumulative effect of the change in accounting principle, net of tax, was to increase net income by (Yen)5,867 million and other changes in equity from nonowner sources by (Yen)1,257 million, respectively, in 2002.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, SFAS No. 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, (2) clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows, (3) amends the definition of underlyings, one of three characteristics of derivatives, to include the occurrence or non-occurrence of a specified event such as scheduled payments under a contract, and (4) amends certain other existing pronouncements, in particular, those related to the scope of instruments that are subject to the requirements of SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the MTFG Group's financial position or results of operations.

Reclassifications

Certain reclassifications and format changes of the financial statements for the fiscal years ended March 31, 2002 and 2003 have been made to conform to the current year presentation.

Recently Issued Accounting Pronouncements

Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities--In January 2003, the EITF reached a consensus on Issue No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" ("EITF 03-2"), which was ratified by the FASB in February 2003. EITF 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of an employee pension fund and requires employers to account for the entire separation process of the substitutional portion from an entire plan upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. It also requires that the difference between the fair value of the obligation and the assets required to be transferred to the government, if any, should be accounted for as a subsidy from the government, separately from gain or loss on settlement of the substitutional portion of the obligation, upon completion of the transfer.

In June 2003, BTM submitted to the government an application to transfer the obligation to pay benefits for future employee service related to the substitutional portion and the application was approved in August 2003. To complete the entire separation process, in August 2004, BTM made another application for transfer to the government of the remaining substitutional portion, but the timing of the approval is not known yet. Upon completion of the separation, the substitutional obligation and related plan assets will be transferred to a government agency, and BTM will be released from paying the substitutional portion of the benefits to its employees. The impact on MTFG's consolidated financial statements of the transfer accounted for in accordance with EITF 03-2 is not known and cannot be reasonably estimated until the completion of the transfer.

Loans and Debt Securities Acquired in a Transfer--In December 2003, AICPA issued Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"), which supersedes AICPA Practice Bulletin 6, "Amortization of Discounts on Certain Acquired Loans" and addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities acquired in a transfer if those differences are attributable, at least, in part, to credit quality. SOP 03-3 limits accretable yield to the excess of the investor's estimate of undiscounted cash flows over the investor's initial investment in the loan and prohibits the recognition of the non-accretable difference. Under SOP 03-3, subsequent increases in cash flows expected to be collected generally should be

recognized prospectively through adjustment of the loan's yield over its remaining life while any decreases in such cash flows should be recognized as impairments. SOP 03-3 also provides guidance with regard to presentation and disclosures.

SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. The MTFG Group has not completed the study of what effect SOP 03-3 will have on its financial position and results of operations.

2. DISCONTINUED OPERATIONS

During the fiscal year ended March 31, 2004, the MTFG Group completed the liquidation process of its domestic mortgage securities subsidiary, The Diamond Mortgage Co., Ltd. The dissolution was due to the adverse business environment for the domestic mortgage securities business, whose results were reported as a part of the Commercial Banking business unit of BTM and its subsidiaries ("BTM Group"). In addition, during the fiscal year ended March 31, 2004, as a part of the MTFG Group's efforts to streamline its securities business, Mitsubishi Securities, which itself constitutes a reportable operating segment of BTM Group, sold certain domestic subsidiaries to third parties. BTM also sold its securities subsidiary in Europe to third parties.

In accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets," MTFG presents the results of discontinued operations as a separate line item in the consolidated statements of operations. Amounts presented in the consolidated statements of operations and the consolidated statements of cash flows for the prior fiscal years related to the discontinued

operations were reclassified to conform the presentation for the fiscal year ended March 31, 2004.

The following table shows the results of discontinued operations for the fiscal years ended March 31, 2002, 2003 and 2004:

	2002	2003	2004
		(in millions)	
Total revenue	(Yen) 3,330	(Yen) 3,077	(Yen) 3,240
Income (loss) from discontinued operations	(Yen)(1,716)	(Yen)(16,227)	(Yen) 2,185
Loss on disposal	--	--	(2,026)
Income tax expense (benefit)	(2,951)	(26,597)	744
Income (loss) from discontinued operations--net	(Yen) 1,235	(Yen) 10,370	(Yen) (585)

The following is a summary of the assets and liabilities of discontinued operations at March 31, 2003:

-	(in millions)
Cash	(Yen) 8,326
Receivables under resale agreements	3,841
Loans, net of allowance for credit losses	11,612
Other assets	15,092
Total assets	(Yen)38,871
Payables under repurchase agreements	(Yen) 3,820
Other short-term borrowings	10,820
Other liabilities	1,001
Total liabilities	(Yen)15,641

3. TRADING ACCOUNT ASSETS AND LIABILITIES

The following table shows trading account assets and liabilities, carried at estimated fair value, at March 31, 2003 and 2004. For trading derivative contracts executed under legally enforceable master netting agreements, related assets and liabilities are bilaterally offset and reported net by counterparty.

	2003	2
	(in millions)	
Trading account assets:		
Trading securities:		
Japanese government, prefectural and municipal bonds	(Yen) 1,833,922	(Yen) 1
Commercial paper	2,492,950	3
Foreign governments bonds and other securities	462,120	1
Total	4,788,992	5
Trading derivative assets:		
Interest rate contracts:		
Forward and futures	28,660	
Swap and swap-related products	4,297,090	3
Options purchased	126,987	
Total	4,452,737	3
Foreign exchange contracts:		
Forward and futures	565,006	
Swaps	471,308	
Options purchased	58,214	
Total	1,094,528	
Other contracts, mainly equity and credit-related contracts	39,256	
Bilateral netting of derivatives under master netting agreements	(2,012,130)	(1
Total	(Yen) 8,363,383	(Yen) 8
Trading account liabilities:		
Trading securities sold, not yet purchased	(Yen) 205,708	(Yen)
Trading derivative liabilities:		
Interest rate contracts:		
Forward and futures	35,283	
Swap and swap-related products	4,036,752	3
Options written	115,595	
Total	4,187,630	3
Foreign exchange contracts:		
Forward and futures	512,864	
Swaps	608,237	
Options written	67,852	
Total	1,188,953	
Other contracts, mainly equity and credit-related contracts	32,992	
Bilateral netting of derivatives under master netting agreements	(2,012,130)	(1
Total	(Yen) 3,603,153	(Yen) 2

See Note 30 for the methodologies and assumptions used to estimate fair values.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The MTFG Group performs trading activities through market-making, sales and arbitrage, while maintaining risk levels within appropriate limits in accordance with its risk management policy. Net trading gains for the fiscal years ended March 31, 2002, 2003 and 2004 comprised the following:

	2002	2003	2004
		(in millions)	
Interest rate and other derivative contracts.....	(Yen)149,301	(Yen) 254,895	(Yen) (1,999)
Trading account securities, excluding derivatives	(10,841)	12,715	105,902
Trading account profits--net.....	138,460	267,610	103,903
Foreign exchange derivative contracts.....	(78,020)	(100,277)	68,674
Net trading gains.....	(Yen) 60,440	(Yen) 167,333	(Yen)172,577

4. INVESTMENT SECURITIES

The amortized costs and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2003 and 2004 were as follows:

	2003				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amo c
				(in millions)	
Securities available for sale:					
Debt securities:					
Japanese national government and Japanese government agency bonds.....	(Yen)10,912,961	(Yen) 112,885	(Yen) 1,959	(Yen)11,023,887	(Yen)1
Japanese prefectural and municipal bonds.....	463,387	9,798	25	473,160	
Foreign governments and official institutions bonds.....	5,229,601	193,058	9,530	5,413,129	
Corporate bonds.....	2,014,766	43,320	8,377	2,049,709	
Mortgage-backed securities.....	1,203,359	21,678	6,360	1,218,677	
Other debt securities.....	594,725	503	786	594,442	
Marketable equity securities.	2,865,276	772,706	46,920	3,591,062	

Total.....	(Yen)23,284,075	(Yen)1,153,948	(Yen)73,957	(Yen)24,364,066	(Yen)2
Securities being held to maturity--debt securities:					
Japanese national government and Japanese government agency bonds.....	(Yen) 70,208	(Yen) 3,887	(Yen) --	(Yen) 74,095	(Yen)
Japanese prefectural and municipal bonds.....	95,904	5,929	--	101,833	
Foreign governments and official institutions bonds.	25,020	2,576	--	27,596	
Corporate bonds.....	--	--	--	--	
Other debt securities.....	--	--	--	--	
Total.....	(Yen) 191,132	(Yen) 12,392	(Yen) --	(Yen) 203,524	(Yen)

	2004		
	Gross unrealized gains	Gross unrealized losses	Estimated fair value
-			
Securities available for sale:			
Debt securities:			
Japanese national government and Japanese government agency bonds.....	(Yen) 36,143	(Yen)10,429	(Yen)14,677,458
Japanese prefectural and municipal bonds.....	2,757	40	250,761
Foreign governments and official institutions bonds.....	64,990	29,967	4,523,949
Corporate bonds.....	48,452	3,966	2,390,165
Mortgage-backed securities.....	30,746	4,632	1,174,915
Other debt securities.....	2,347	2,670	529,878
Marketable equity securities.	1,689,819	1,640	4,107,184
Total.....	(Yen)1,875,254	(Yen)53,344	(Yen)27,654,310
Securities being held to maturity--debt securities:			
Japanese national government and Japanese government agency bonds.....	(Yen) 3,898	(Yen) 1,218	(Yen) 1,053,611
Japanese prefectural and municipal bonds.....	3,348	2	112,230
Foreign governments and official institutions bonds.	974	--	39,135
Corporate bonds.....	273	3	37,890
Other debt securities.....	12	140	15,035
Total.....	(Yen) 8,505	(Yen) 1,363	(Yen) 1,257,901

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Investment securities other than securities available for sale or being held to maturity (i.e., nonmarketable equity securities presented in Other investment securities) were carried at cost of (Yen)145,431 million and (Yen)200,557 million, at March 31, 2003 and 2004, respectively. The corresponding estimated fair values at those dates were not readily determinable. The MTFG Group periodically monitors the status of each investee including the credit ratings and changes in the MTFG Group's share of net assets in the investees as compared with its shares at the time of investment, to determine if impairment losses, if any, are to be recognized on these nonmarketable securities.

See note 30 for the methodologies and assumptions used to estimate the fair values.

The amortized cost and estimated fair values of debt securities being held to maturity and the estimated fair values of debt securities available for sale at March 31, 2004 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their original final maturities.

	Held-to-maturity		Available-for-sale
	Amortized cost	Estimated fair value	Estimated fair value
	(in millions)		
Due in one year or less.....	(Yen) 54,105	(Yen) 55,325	(Yen) 9,356,239
Due from one year to five years.	1,120,666	1,124,719	10,314,992
Due from five years to ten years	70,575	72,665	1,547,871
Due after ten years.....	5,413	5,192	2,328,024
Total.....	(Yen)1,250,759	(Yen)1,257,901	(Yen)23,547,126

For the fiscal years ended March 31, 2002, 2003 and 2004, proceeds from sales of securities available for sale were (Yen)34,164,318 million, (Yen)27,063,999 million and (Yen)29,334,674 million, respectively. For the fiscal years ended March 31, 2002, 2003 and 2004, gross realized gains on those sales were (Yen)492,145 million, (Yen)576,442 million and (Yen)620,413 million, respectively, and gross realized losses on those sales were (Yen)172,421 million, (Yen)208,023 million and (Yen)260,624 million, respectively. In September 2000, BTM changed its intent to hold securities originally classified as held-to-maturity and transferred such securities to the available-for-sale category while Mitsubishi Trust maintained its positive intent and ability to hold its held-to-maturity securities without any sales or transfers of such securities during the fiscal year ended March 31, 2001. As a result of the

transfer, unrealized gains on securities available for sale were recorded against shareholders' equity and were not significant. The MTFG Group classified subsequent acquisitions of securities as either available for sale or trading until the fiscal year ended March 31, 2003. On April 1, 2003, the MTFG Group reassessed the appropriateness of the classification of the securities which had been classified as available for sale and reclassified (Yen)78,343 million of such securities into the held-to-maturity category. The transfer did not have a material impact on its financial position or results of operations.

For the fiscal years ended March 31, 2002, 2003 and 2004, losses resulting from write-downs of investment securities that are classified as available-for-sale to reflect the decline in value considered to be other than temporary were (Yen)293,861 million, (Yen)395,481 million and (Yen)230,074 million, respectively, which were included in Investment securities gains (losses)--net in the consolidated statements of operations.

The following table shows the unrealized gross losses and fair values of investment securities available for sale and being held to maturity at March 31, 2004, by length of time that individual securities in each category have been in continuous loss position:

	Less than 12 months		12 months or more		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair v
				(in millions)	
Securities available for sale:					
Debt securities:					
Japanese national government and Japanese government agency bonds	(Yen) 8,642,589	(Yen)10,429	(Yen) --	(Yen) --	(Yen) 8,
Japanese prefectural and municipal bonds	3,969	40	--	--	
Foreign governments and official institutions bonds	1,454,035	29,967	--	--	1,
Corporate bonds	267,327	3,966	--	--	
Mortgage-backed securities	356,098	4,632	14	--	
Other debt securities	101,907	345	13,746	2,325	
Marketable equity securities	24,571	1,640	--	--	
Total	(Yen)10,850,496	(Yen)51,019	(Yen)13,760	(Yen)2,325	(Yen)10,
Securities being held to maturities--debt securities:					
Japanese national government and Japanese government agency bonds	(Yen) 349,118	(Yen) 1,218	(Yen) --	(Yen) --	(Yen)
Japanese prefectural and					

municipal bonds.....	1,431	2	--	--	
Corporate bonds.....	1,414	3	--	--	
Other debt securities.....	10,305	140	--	--	
Total.....	(Yen) 362,268	(Yen) 1,363	(Yen) --	(Yen) --	(Yen)

The MTFG Group holds various type of debt and equity securities as shown in the table of investment securities in the beginning part of this Note. Although, as shown in that table, dominant part of such investments are with unrealized gains at March 31, 2004, certain security investments, primarily debt securities available for sale, were with unrealized losses, most of which have been in continuous loss for a period less than 12 months.

The MTFG Group has determined that unrealized losses on investments as of March 31, 2004 are temporary in nature based on its ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery and the results of its review conducted to identify and evaluate investments that have indications of possible impairments. The MTFG Group's review included consideration of the following criteria:

The length of time that fair value of the investment has been below cost--The MTFG Group generally deems continued decline of fair value below cost for six months or more to be other than temporary. Certain securities held by UnionBanCal Corporation ("UNBC"), a U.S. subsidiary of BTM, which primarily consists of securities backed by the full faith and credit of the U.S. government and corporate asset-backed and debt securities, were determined not to be impaired in some cases, on the basis of a cash flow analysis of securities and/or UNBC's ability to hold such securities to maturity.

As shown in the table above, there was no material unrealized losses that have been in continuous loss position for 12 months or more, except for unrealized losses on certain "Other debt securities" at March 31, 2004. "Other

debt securities" with unrealized loss position for 12 months or more were primarily consisted of collateralized loan obligations held by UNBC. Unrealized losses on such securities arise from rising interest rates, widening credit spreads, credit quality of the underlying collateral, and the market's opinion of the performance of the fund managers. Based on the cash flow analysis set out above, such unrealized losses are determined temporary in nature.

The extent to which the fair value of investments has been below cost as of the end of the reporting period--The MTFG Group's investment portfolio is exposed to volatile equity prices affected by many factors including investors' perspectives as to future economic factors and the issuers' performance, as well as cyclical market price fluctuation due to changes in market interest rates, foreign exchange rates, and changes in credit spreads etc. In view of the diversity and volume of equity investments as well as the fact that the majority of investments in debt securities are in high-grade fixed-rate bonds, including sovereign bonds, the MTFG Group generally deems the decline of fair value below cost of 20% or more is a critical indicator of other-than-temporary decline in fair value.

The financial condition and near-term prospects of the issuer--The MTFG Group considers the financial condition and near-term prospects of the issuer primarily based on the credit standing of the issuers as determined by its credit rating system.

Exchange Traded Fund

For the fiscal years ended March 31, 2002, 2003 and 2004, BTM transferred marketable equity securities to an exchange traded fund ("ETF"), sponsored by a securities firm. BTM concurrently entered into sales agreements for marketable equity securities and purchase agreements for the fund units of the ETF with the securities firm. BTM transferred its marketable equity securities to the securities firm with an aggregate cost of (Yen)325,749 million for (Yen)391,698 million, an aggregate cost of (Yen)163,861 million for (Yen)240,574 million and an aggregate cost of (Yen)54,366 million for (Yen)76,385 million for the fiscal years ended March 31, 2002, 2003 and 2004, respectively. The securities firm contributed these marketable equity securities and additional securities purchased from the market to the ETF in order to link the ETF performance to the TOPIX (a composite index of all stocks listed on the First Section of the Tokyo Stock Exchange ("TSE")). Certificates issued by the ETF (the "ETF certificates") are linked to the TOPIX and have been listed on the TSE. BTM purchased the ETF certificates at the fair value of (Yen)527,967 million, (Yen)361,782 million and (Yen)113,930 million for the fiscal years ended March 31, 2002, 2003 and 2004, respectively, with an intention to sell them in the market or to the securities firm in the near future.

The MTFG Group accounted for the ETF certificates purchased from the securities firm as retained interests in the marketable equity securities transferred to the securities firm. The MTFG Group accounted for the transfer of marketable equity securities as a sale when the MTFG Group received cash or financial instruments other than the ETF certificates. For the fiscal years ended March 31, 2002, 2003 and 2004, the MTFG Group recognized gains of (Yen)35,442 million, (Yen)41,883 million and (Yen)89,581 million, respectively, on the sales of the ETF certificates. The MTFG Group held ETF certificates with fair values of (Yen)148,646 million at March 31, 2003 and nil at March 31, 2004 in Securities available for sale. The ETF certificates are carried at fair value based on the market prices observed in the TSE and the fair value change is closely linked with the movement of the TOPIX.

Banks' Shareholdings Purchase Corporation

Under a law forbidding banks from holding marketable equity securities in excess of their Tier I capital after September 30, 2006, the Banks' Shareholdings Purchase Corporation ("BSPC") was established in January 2002 in order to soften the impact on the stock market of sales of cross-shareholdings. BSPC began accepting share offers from financial institutions on February 15, 2002. It has been funded by financial institutions, including BTM and Mitsubishi Trust, which made initial contributions of (Yen)2,000 million ("preferred contributions"). BSPC

will be disbanded when it sells all shares that it purchased from financial institutions, or by March 31, 2017, at the latest.

BSPC has two accounts to purchase stock from financial institutions; the

General Account and the Special Account. In the General Account, each selling financial institution funds the amount of purchase by BSPC without guarantees by the Japanese government, and the financial institution will assume any gains or losses on sales by BSPC of the stocks. In the Special Account, each selling financial institution was required to make contributions of 8% of the selling prices to BSPC for purchases made prior to the effective date of the amendment to the above-mentioned law to fund any future losses ("subordinated contributions"). Effective in August 2003, the requirement of subordinated contributions was eliminated under the amendment to legislation. The purchase amount in the Special Account is funded by borrowings guaranteed by the Japanese government with a limit of (Yen)2.0 trillion. The cumulative net loss on sales of stocks in the Special Account, which will not be determined and finalized before the liquidation of BSPC, will be compensated first by the subordinated contributions, and then by the preferred contributions. If there is a remaining loss, the government, as a guarantor, will be liable for the loss. On the other hand, if there is a cumulative net asset at the time of the liquidation, the asset is first used to repay the preferred contributions and then to repay the subordinated contributions. After that, if any remaining net assets after repayment of subordinated contributions exist, such net assets will be paid out and the amounts will be determined based on the amounts of both contributions. Any remaining net assets in excess of double the amount of the contributions will belong to the Japanese government.

At the establishment of BSPC in January 2002, BTM and Mitsubishi Trust collectively paid (Yen)2,000 million to BSPC as preferred contributions. BTM and Mitsubishi Trust sold marketable equity securities with aggregate market values of (Yen)20,647 million, (Yen)2,289 million and (Yen)135,636 million, respectively, for the fiscal years ended March 31, 2002, 2003 and 2004. At the time of the sales, BTM and Mitsubishi Trust made subordinated contribution to the Special Account of (Yen)1,652 million and (Yen)183 million, respectively, for the fiscal years ended March 31, 2002 and 2003. Also, BTM and Mitsubishi Trust made loans to BSPC to fund its purchases of marketable equity securities. Such loans to BSPC, which are guaranteed by the Japanese government, amounted to (Yen)35,600 million, (Yen)79,735 million and (Yen)7,398 million, respectively, at March 31, 2002, 2003 and 2004. For the fiscal year ended March 31, 2003, the MTFG Group evaluated its preferred contributions of (Yen)2,000 million and subordinated contributions of (Yen)1,835 million for impairment, and recognized an impairment loss of (Yen)3,835 million.

The MTFG Group accounts for the transfers of marketable equity securities to the General Account, if any, as secured borrowings. With respect to the transfers of marketable equity securities to the Special Account with the requirement of subordinated contributions, if the fair value of the securities sold to the Special Account is greater than 10% of the fair value of all securities held by the special account, the MTFG Group accounts for the subordinated contributions as a partial retained interest in the sale. For all period presented, the MTFG Group made no sales of securities whose fair value was greater than 10% of the fair value of all securities held by the Special Account. For the fiscal years ended March 31, 2002, 2003 and 2004, the MTFG Group recognized a gain of (Yen)5,913 million, a loss of (Yen)10 million and a gain of (Yen)27,797 million, respectively, on the sale of marketable equity securities to the Special Account.

The Bank of Japan

The Bank of Japan began purchasing marketable equity securities at fair value from banks, including BTM and Mitsubishi Trust, from November 2002, aiming to enhance the stability of the Japanese financial system by reducing the amount of marketable equity securities on the balance sheets of banks. Transfers of securities to the Bank of Japan are sales transactions without transferors' continuing involvement. BTM and Mitsubishi Trust sold marketable equity securities to the Bank of Japan with aggregate market values of (Yen)181,570

million and (Yen)81,835 million for the fiscal years ended March 31, 2003 and 2004, respectively.

5. LOANS

Loans at March 31, 2003 and 2004 by domicile and type of industry of borrower are summarized below:

Classification of loan by industry is based on the industry segment loan classification as defined by the Bank of Japan.

	2003	2004
	(in millions)	
Domestic:		
Manufacturing	(Yen) 6,034,347	(Yen) 6,000,095
Construction	1,277,407	1,010,439
Real estate	4,298,146	4,585,299
Services	4,953,830	4,344,833
Wholesale and retail	5,458,337	4,998,952
Banks and other financial institutions	3,598,028	3,834,178
Communication and information services	1,516,020	874,564
Other industries	3,858,031	6,169,456
Consumer	7,425,702	7,951,205/(2)/
Total domestic	38,419,848	39,769,021
Foreign:		
Governments and official institutions	235,093	183,117
Banks and other financial institutions	928,059	1,043,904
Commercial and industrial	8,413,452	7,239,896
Other	510,179	318,543
Total foreign	10,086,783	8,785,460
Less unearned income and deferred loan fees - net	41,062	28,625
Total	(Yen)48,465,569/(1)/	(Yen)48,525,856/(1)/

Notes:

(1) The above table includes loans held for sale of (Yen)3,965 million and (Yen)12,893 million at March 31, 2003 and 2004, respectively.

(2) Domestic loans within the "consumer" category in the above table include loans to individuals who utilize loan proceeds to finance their proprietor activities and not for their personal financing needs. During the fiscal year ended March 31, 2004, the MTFG Group's credit administration system was upgraded and the MTFG Group is now able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 by the type of

proprietor business, as presented below:

Manufacturing	Construction	Real estate	Services	Wholesale and retail	Banks and other financial institutions	Communication and information services	Oth indus
				(in millions)			
(Yen)28,229	(Yen)19,283	(Yen)738,377	(Yen)230,730	(Yen)52,253	(Yen)1,200	(Yen)4,121	(Yen)

Since the system upgrade was effective during the fiscal year ended March 31, 2004, no equivalent information is obtainable for prior fiscal year-end dates.

Substantially all domestic loans are made under agreements which, as is customary in Japan, provide that a bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantees with respect to the loans, and that the bank may treat any collateral, whether furnished as security for loans or

otherwise, as collateral for all indebtedness to the bank. At March 31, 2003 and 2004, such collateralized loans originated by the MTFG Group, which were principally collateralized by real estate, marketable securities and accounts receivable, amounted to (Yen)8,514,286 million and (Yen)8,396,452 million, respectively, which represented 22% and 21%, respectively, of the total domestic loans at March 31, 2003 and 2004.

Nonaccrual and restructured loans were (Yen)2,732,627 million and (Yen)1,715,487 million at March 31, 2003 and 2004, respectively. Had interest on these loans been accrued at the original terms of agreement, gross interest income on such loans for the fiscal years ended March 31, 2003 and 2004 would have been approximately (Yen)77.0 billion and (Yen)45.2 billion, respectively, of which approximately (Yen)57.6 billion and (Yen)32.6 billion, respectively, were included in interest income on loans in the accompanying consolidated statements of operations. Accruing loans contractually past due 90 days or more were (Yen)20,399 million and (Yen)15,596 million at March 31, 2003 and 2004, respectively.

Impaired Loans

The MTFG Group's impaired loans primarily include nonaccrual loans and restructured loans. A summary of the recorded balances of impaired loans and related impairment allowance at March 31, 2003 and 2004 is shown below:

2003		2004	
Recorded loan balance	Impairment allowance	Recorded loan balance	Impairment allowance

		(in millions)		
Requiring an impairment allowance....	(Yen)2,408,523	(Yen)894,380	(Yen)1,405,761	(Yen)563,560
Not requiring an impairment allowance	211,193	--	183,135	--
Total.....	(Yen)2,619,716	(Yen)894,380	(Yen)1,588,896	(Yen)563,560

Note: In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of (Yen)3,790 million and (Yen)12,637 million at March 31, 2003 and 2004, respectively.

The average recorded investments in impaired loans were approximately (Yen)4,158 billion, (Yen)3,345 billion and (Yen)2,083 billion, respectively, for the fiscal years ended March 31, 2002, 2003 and 2004.

For the fiscal years ended March 31, 2002, 2003 and 2004, the MTFG Group recognized interest income of approximately (Yen)76.8 billion, (Yen)67.4 billion and (Yen)38.2 billion, respectively, on impaired loans. Interest income on nonaccrual loans was recognized on a cash basis when ultimate collectibility of principal is certain; otherwise, cash receipts are applied as principal reductions. Interest income on accruing impaired loans, including restructured loans, was recognized on an accrual basis to the extent that the collectibility of interest income was reasonably certain based on management's assessment.

Lease Receivable

As part of its financing activities, the MTFG Group enters into leasing arrangements with customers. The MTFG Group's leasing operations are performed through leasing subsidiaries and consist principally of direct financing leases involving various types of data processing equipment, office equipment and transportation equipment.

As of March 31, 2003 and 2004, the components of the investment in direct financing leases were as follows:

	2003	2004
	(in millions)	
Minimum lease payment receivable.....	(Yen)683,034	(Yen)594,974
Estimated residual values of leased property	64,537	61,100
Less--unearned income.....	(61,222)	(49,920)
Net investment in direct financing leases...	(Yen)686,349	(Yen)606,154

Future minimum lease payment receivables under noncancelable leasing agreements

as of March 31, 2004 are as follows:

	Direct financing leases
	(in millions)
Fiscal year ending March 31:	
2005	(Yen)152,191
2006	122,076
2007	86,377
2008	56,331
2009	30,128
2010 and thereafter	147,871
Total minimum lease payment receivables	(Yen)594,974

Government-led Loan Restructuring Program

Under the legislation enacted by the Japanese Diet in June 1996, which incorporates the restructuring program for the loans of seven failed housing-loan companies (the "Jusen"), the Deposit Insurance Corporation ("DIC") established a Housing Loan Corporation ("HLAC") to collect and dispose of the loans of the liquidated Jusen. In 1999, HLAC merged with the Resolution and Collection Bank Limited to create the Resolution and Collection Corporation ("RCC"), which is wholly owned by the DIC.

Financial institutions, including the MTFG Group, waived the repayment of substantial amounts of the loans to the Jusen and transferred the remaining balances to HLAC. Financial institutions were requested to make loans to HLAC to finance its collection activities, and in the fiscal year ended March 31, 1997, the MTFG Group made loans of (Yen)407,078 million with an original maturity term of 15 years, which were included in the loan portfolio as of March 31, 2003 and 2004. The 15-year term loans to HLAC, which are guaranteed by the DIC under the legislation and the loan agreements, mature in 2011 and earn interest at TIBOR (Tokyo Interbank Offered Rate) plus 0.125%.

Under this restructuring program, a Financial Stabilization Fund (the "Special Fund") was established within the DIC, and the Bank of Japan and other financial institutions established another fund (the "New Fund"). These funds are principally invested in Japanese government bonds. The MTFG Group made non-interest-earning deposits of (Yen)176,089 million with the Special Fund and the New Fund in the fiscal year ended March 31, 1997. The deposit balances as of March 31, 2003 and 2004, which are included in Other Assets, were (Yen)136,681 million and (Yen)140,828 million, respectively, reflecting a present value discount and subsequent amortization of the discount during the period until the expected maturity date. The non-interest-earning deposits with these funds are expected to mature in 15 years from the deposit dates, which coincides with the planned operational lifespan of HLAC.

It is uncertain what losses (so-called "stage two loss"), if any, may ultimately be incurred by RCC through the collection of the Jusen loans during the 15-year term. If any such losses ultimately occur, the Japanese government will be liable for half of such losses, and the investment income to be earned by the Special Fund during the 15 years is to be used to cover the remaining half of the losses. The investment income to be earned by the New Fund during the 15 years is used to compensate for a portion of the public funds used for

the Jusen restructuring.

At this time management believes all loans and deposits will be collectible according to their respective terms.

Sales of Loans

The MTFG Group originates various types of loans to corporate and individual customers in Japan and overseas in the normal course of its business. The Financial Services Agency of Japan (the "FSA") announced in October 2002 that it will strive to reduce the aggregate ratio of nonperforming credits to total credits of major Japanese banks, including MTFG's domestic banking subsidiaries, by approximately half by March 31, 2005. Pursuant to the FSA's policy and in order to improve its loan quality, BTM and Mitsubishi Trust actively disposed of nonperforming loans. Most of such nonperforming loans were disposed of by sales to third party purchasers including RCC without any continuing involvement. Management of BTM and Mitsubishi Trust generally decide on approvals for disposals after significant sales terms, including prices, are negotiated. As such, loans are disposed of by sales shortly after the loans are transferred to the held-for-sale classification. For the fiscal years ended March 31, 2002 and 2003, the losses on sales of loans, which represents an additional provision for credit losses on, were (Yen)12,632 million and (Yen)45,004 million, respectively. The gain on sales of loan was (Yen)8,678 million for the fiscal year ended March 31, 2004. Such losses and gain are included in the provision for credit losses in the accompanying consolidated statements of operations.

Loan Securitization

The MTFG Group had no significant transfers of loans in securitization transactions accounted for as sales for the fiscal years ended March 31, 2002, 2003 and 2004, and did not retain any significant interests associated with loans transferred in securitizations at March 31, 2003 and 2004.

Related Party Loans

In some cases, the banking subsidiaries of MTFG make loans to related parties, including their directors and executive officers, in the course of their normal commercial banking business. At March 31, 2003 and 2004, outstanding loans to such related parties were not significant.

In the opinion of management, these related party loans were made on substantially the same terms, including interest rates and collateral requirements, as those terms prevailing at the date these loans were made. For the fiscal years ended March 31, 2002, 2003 and 2004, there were no loans to related parties that were charged-off. Additionally, at March 31, 2003 and 2004, there were no loans to related parties that were impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses for the fiscal years ended March 31, 2002, 2003 and 2004 are shown below:

	2002	2003	2004
		(in millions)	
Balance at beginning of fiscal year.	(Yen)1,716,984	(Yen)1,735,180	(Yen)1,360,136
Provision (credit) for credit losses	598,412	437,972	(114,109)
Charge-offs	669,381	893,638	378,094
Less--Recoveries	65,977	78,827	40,970
Net charge-offs	603,404	814,811	337,124
Others	23,188	1,795	(20,776)
Balance at end of fiscal year	(Yen)1,735,180	(Yen)1,360,136	(Yen) 888,127

Note: Others principally include foreign exchange translation and discontinued operations adjustments.

As explained in Note 5, nonperforming loans were actively disposed of by sales during recent years. The allocated allowance for credit losses for such loans were removed from the allowance for credit losses and transferred to the valuation allowance for loans held for sale upon a decision to sell. Net charge-offs in the above table include the decrease in the allowance for credit losses due to loan disposal activity amounting to (Yen)174.0 billion, (Yen)369.6 billion and (Yen)124.6 billion for the fiscal years ended March 31, 2002, 2003 and 2004, respectively.

7. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 2003 and 2004 consisted of the following:

	2003	2004
	(in millions)	
Land	(Yen) 193,278	(Yen) 171,379
Buildings	432,230	426,691
Equipment and furniture	489,307	443,251
Leasehold improvements	234,443	228,104
Construction in progress	20,134	4,136
Total	1,369,392	1,273,561
Less accumulated depreciation	725,598	693,488
Premises and equipment--net	(Yen) 643,794	(Yen) 580,073

Premises and equipment include capitalized leases, principally related to data processing equipment, which amounted to (Yen)38,750 million and (Yen)40,595 million at March 31, 2003 and 2004, respectively. Accumulated depreciation on such capitalized leases at March 31, 2003 and 2004 amounted to (Yen)22,517 million and (Yen)26,752 million, respectively.

Depreciation expense of premises and equipment for the fiscal years ended March 31, 2002, 2003 and 2004 was (Yen)68,120 million, (Yen)63,015 million and (Yen)55,799 million, respectively.

In March 1999, BTM sold a 50% undivided interest in its head office land and building (including structure and equipment) for (Yen)91,500 million and in its main office land and building (including structure and equipment) for

(Yen)9,100 million to a real estate company. At the same time, BTM entered an agreement to lease back the 50% undivided interest in the buildings sold from the buyer over a period of 7 years. BTM accounted for these transactions as financing arrangements, and recorded the total proceeds of (Yen)100,600 million as a financing obligation. Under the lease agreement, BTM made non-interest-bearing deposits of (Yen)8,000 million with the buyer-lessor in March 1999. The lease payments are determined each year upon negotiations with the buyer-lessor, based on future market conditions and expenditures for significant improvements and the related expenses of the buildings to be born by the buyer-lessor. The lease agreement is noncancelable during the lease period of 7 years. At the end of the lease, BTM has no obligations or options specified in the lease agreement.

At March 31, 2003 and 2004, the financing obligation was (Yen)102,208 million and (Yen)102,795 million, respectively, and total rental payments amounted to (Yen)6,190 million and (Yen)6,371 million, respectively, for the fiscal years ended March 31, 2003 and 2004.

For the fiscal years ended at March 31, 2003 and 2004, the MTFG Group recognized (Yen)13,004 million and (Yen)5,822 million of impairment losses for long-lived assets, primarily domestic real estate which was either assets formerly used for its domestic banking operations that are no longer used or assets that are used without recoverability of carrying amount. In addition, (Yen)2,619 million and (Yen)8,661 million of impairment losses were recognized for real estate held for sale for the fiscal years ended March 31, 2003 and 2004. These losses are included in Other non-interest expenses. In computing the amount of impairment losses, fair value was determined primarily based on market prices, if any, or the estimated price based on an appraisal.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 1, on April 1, 2002, the MTFG Group adopted SFAS No. 142 which requires that goodwill, formerly subject to amortization, no longer be amortized and be tested for impairment at least annually. Further, SFAS No. 142 requires that intangible assets with finite useful lives continue to be amortized over their useful lives while intangible assets with indefinite lives no longer be amortized but rather are subject to impairment testing at least

annually.

On April 1, 2002, the MTFG Group has performed the required transitional impairment tests of goodwill and intangible assets with indefinite lives upon adoption of SFAS No. 142. The initial adoption resulted in a cumulative adjustment charge to earnings of (Yen)532 million related to the impairment of goodwill. Such cumulative adjustment primarily resulted from an impairment of goodwill related to a U.S. leasing business and was measured using the discounted future cash flow method. Intangible assets with indefinite lives, which were amortized in the prior periods, were immaterial.

Goodwill

The changes in the carrying amount of goodwill by business segment during the fiscal years ended March 31, 2003 and 2004 were as follows:

	BTM					Mitsu	
	Retail Banking	Global Corporate Banking	Investment Banking	Mitsubishi Securities	UNBC	Trust Banking	Tr As
					(in millions)		
For the fiscal year ended March 31, 2003							
Balance at March 31, 2002.....	(Yen)--	(Yen) 23	(Yen) 509	(Yen) --	(Yen)11,169	(Yen)--	(Yen
Impairment recognized by the transitional impairment test..	--	(23)	(509)	--	--	--	
Goodwill acquired during the fiscal year.....	--	--	--	408	9,646	--	
Reclassified to core deposit intangible.....	--	--	--	--	(1,799)	--	
Foreign currency translation adjustments and other.....	--	--	--	--	(966)	--	
Balance at March 31, 2003.....	(Yen)--	(Yen) --	(Yen) --	(Yen) 408	(Yen)18,050	(Yen)--	(Yen
For the fiscal year ended March 31, 2004							
Balance at March 31, 2003.....	(Yen)--	(Yen) --	(Yen) --	(Yen) 408	(Yen)18,050	(Yen)--	(Yen
Goodwill acquired during the fiscal year.....	9	--	--	--	10,876	61	
Goodwill written off related to sale of subsidiaries.....	--	--	--	(280)	--	--	
Foreign currency translation adjustments and other.....	--	--	--	--	(2,119)	--	
Balance at March 31, 2004.....	(Yen) 9	(Yen) --	(Yen) --	(Yen) 128	(Yen)26,807	(Yen)61	(Yen

See Note 28 for business segment information of the MTFG Group.

Net income (loss) and amounts per common share for the fiscal years ended March 31, 2002, 2003 and 2004 adjusted to exclude amortization expense related to goodwill were as follows:

	2002	
Net income (loss) (in millions):		
Reported income (loss)	(Yen) (216,534)	(Yen)
Goodwill amortization	7,877	
Adjusted net income (loss)	(Yen) (208,657)	(Yen)
Basic earnings (loss) per share (in yen):		
Reported basic earnings (loss) per share--net income (loss) available to common shareholders	(Yen) (39,733.32)	(Yen)
Goodwill amortization	1,418.11	
Adjusted basic earnings (loss) per share--net income (loss) available to common shareholders	(Yen) (38,315.21)	(Yen)
Diluted earnings (loss) per share (in yen):		
Reported diluted earnings (loss) per share--net income (loss) available to common shareholders	(Yen) (39,733.32)	(Yen)
Goodwill amortization	1,418.11	
Adjusted diluted earnings (loss) per share--net income (loss) available to common shareholders	(Yen) (38,315.21)	(Yen)

Other intangible assets

The table below presents the gross carrying amount, accumulated amortization and net carrying amount, in total and by major class of intangible assets at March 31, 2003 and 2004:

2003			2004	
Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulat amortizat
(in millions)				

Intangible assets subject to amortization:					
Software	(Yen)354,692	(Yen)196,611	(Yen)158,081	(Yen)396,504	(Yen)181,
Core deposit intangible	5,486	3,886	1,600	4,041	1,
Other	7,565	3,163	4,402	9,482	5,
Total	(Yen)367,743	(Yen)203,660	164,083	(Yen)410,027	(Yen)189,
Intangible assets recorded in connection with the additional minimum pension liabilities under SFAS No. 87 (See Note 16)			14,568		
Intangible assets not subject to amortization			8,247		
Total			(Yen)186,898		

Intangible assets subject to amortization acquired during the fiscal year ended March 31, 2004 amounted (Yen)119,260 million, which primarily consist of capitalized cost of software. The weighted average amortization period for capitalized software is five years, and the amount of its residual value is immaterial.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

	(in millions)
Fiscal year ending March 31,	
2005	(Yen)63,283
2006	56,179
2007	41,026
2008	27,899
2009	13,122

9. INCOME TAXES

The detail of current and deferred income tax expense (benefit) for the fiscal years ended March 31, 2002, 2003 and 2004 was as follows:

	2002	20
		(in mil
Current:		

Domestic	(Yen)	(8,617)	(Yen)	
Foreign		39,454		
Total		30,837		
Deferred:				
Domestic		(115,402)		(
Foreign		(14,316)		
Total		(129,718)		
Income tax expense (benefit)		(98,881)		
Income tax expense (benefit) from discontinued operations		(2,951)		(
Income tax expense reported in cumulative effect of a change in accounting principle		3,523		
Income tax expense (benefit) reported in shareholders' equity relating to:				
Investment securities available for sale		(229,943)		(3
Cumulative effect of a change in accounting principle		808		
Derivatives qualifying for cash flow hedges		1,289		
Minimum pension liability adjustments		(30,815)		(
Foreign currency translation adjustments		5,444		
Total		(253,217)		(3
Total	(Yen)	(351,526)	(Yen)	(3

Income taxes in Japan applicable to the MTFG Group are imposed by the national, prefectural and municipal governments, and in the aggregate resulted in a normal effective statutory rate of approximately 38.0%, 39.9% and 39.9%, respectively, for the fiscal years ended March 31, 2002, 2003 and 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

In March 2003, MTFG's application to file its tax returns under the consolidated corporate-tax system was approved by the Japanese tax authorities, and the consolidated corporate-tax system has become effective for the fiscal year ended March 31, 2003. The new consolidated system allows companies to base tax payments on the combined profits or losses of a parent company and its wholly owned domestic subsidiaries. Due to the adoption of the consolidated corporate-tax system, companies are required to pay, for the fiscal years ended March 31, 2003 and 2004, a surcharge tax of 2.0% of taxable income in addition to the national corporate income tax rate. As a result, the combined normal effective statutory tax rate changed from approximately 38.0% to 39.9% for the fiscal year ended March 31, 2003. The change in tax rate due to adoption of the consolidated-tax system decreased income tax expense by (Yen)37,352 million for the fiscal year ended March 31, 2003.

On March 30, 2000, the Tokyo Metropolitan Assembly passed a new tax rule that changed the basis on which it taxes large banks conducting business in Tokyo. BTM and Mitsubishi Trust are subject to the new rule. The new

rule requires large banks to pay a 3.0% local tax on their gross operating income derived from their Tokyo operations for a period of five years commencing April 1, 2000.

On May 30, 2000, the Osaka Prefectural Assembly also passed a new tax rule that is substantially the same as the rule approved by the Tokyo Metropolitan Assembly. The new rule requires large banks to pay a 3.0% local tax on their gross operating income derived from Osaka operations for a period of five years commencing April 1, 2001.

The banks subject to the new tax rule, including BTM and Mitsubishi Trust, filed a complaint in October 2000 with the Tokyo District Court, calling for nullification of the new tax, which they claimed, unfairly targets banks. On March 26, 2002, the Tokyo District Court rejected the new tax enacted by the Tokyo Metropolitan Assembly. The court ordered the Tokyo Metropolitan Government to refund (Yen)72.4 billion in tax payments to 18 major banks and to pay an additional (Yen)1.8 billion in compensation.

On March 29, 2002, the Metropolitan Government lodged an appeal at the Tokyo High Court. Following the decision of the Tokyo District Court, 16 major banks filed a lawsuit on April 4, 2002 with the Osaka District Court against the Osaka Prefectural Government, seeking to nullify the new tax rule. In response to the lawsuit, on May 30, 2002, the Osaka Prefectural Government enacted a revised tax rule that changed the taxation for the fiscal year ended March 31, 2002 and the fiscal years subject to the new tax rule. Under the revised tax rule, for the fiscal years ended March 31, 2002 and 2003, large banks became subject to local taxes based on the lower of the 3.0% local tax on their gross operating income or the local tax computed based on net income. As a result of the revisions, BTM and Mitsubishi Trust did not pay any local taxes to the Osaka Prefectural Government for the fiscal years ended March 31, 2002 and 2003. BTM and Mitsubishi Trust incurred new local taxes to the Tokyo Metropolitan Government of (Yen)18.4 billion, (Yen)18.6 billion and (Yen)19.6 billion for the fiscal years ended March 31, 2001, 2002 and 2003, respectively. Had BTM and Mitsubishi Trust paid the local taxes based on net income under the former rule, tax expense would have been (Yen)6.6 billion for the fiscal year ended March 31, 2001, and zero for the fiscal years ended March 31, 2002 and 2003.

On January 30, 2003, the Tokyo High Court also rejected the new tax rule and ordered the Tokyo Metropolitan Government to refund tax payments that the banks had paid over the past two years, which represents the difference between the 3.0% tax on the gross operating profits paid by the banks and the amount computed based on net income under the former rule. The order includes the refund of (Yen)30.4 billion to BTM and Mitsubishi Trust. However, the Tokyo High Court reversed the lower court on the issue of additional compensation. The Tokyo Metropolitan Government appealed this decision to the Supreme Court of Japan.

On October 8, 2003, BTM and Mitsubishi Trust made a settlement-at-court with the Tokyo Metropolitan Government and the Tokyo Governor and withdrew their complaints regarding the Tokyo Metropolitan Government's tax on large banks. The settlement included (a) a revision of the applicable tax rate to 0.9% from 3.0%, effective retroactive to the date of the enactment of the local tax in the fiscal year ended March 31, 2001 and (b) a refund representing the difference between the amount already paid by the banks and the amount computed based on the newly enacted rate plus accrued interest. On October 7, 2003, the MTFG Group received a tax refund plus accrued interest amounting to (Yen)42.0 billion.

In March 2003, the Japanese government amended the local tax law. Under the amended local tax law, a corporation size-based enterprise tax will be

effective, which will supersede the current enterprise tax, including the local taxes levied by the Tokyo Metropolitan Government and Osaka Prefectural Government, from the fiscal year ending March 31, 2005. As a result, the normal effective statutory tax rate for the fiscal year ending March 31, 2005 will be approximately 40.5%. The newly enacted rates were used in calculating the future expected tax effects of temporary differences as of March 31, 2003 that are expected to reverse during and

subsequent to the fiscal year ending March 31, 2005. The change in tax rate resulted in a decrease of (Yen)75,121 million in income tax expense for the fiscal year ended March 31, 2003.

Furthermore, in October 2003, the Tokyo Metropolitan Government and the Osaka Prefectural Government enacted a surcharge tax on the corporation sized based enterprise tax under the local tax law amended in March 2003. As a result, the normal effective statutory tax rate will increase approximately 0.1% to approximately 40.6% effective for the fiscal year ending March 31, 2005. The change in tax rate, used in calculating the future expected tax effects of temporary differences, resulted in a decrease of (Yen)3,404 million in income tax expense for the fiscal year ended March 31, 2004.

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the combined normal effective statutory tax rate for the fiscal years ended March 31, 2002, 2003 and 2004 was as follows:

	2002	2003	2004
Combined normal effective statutory tax rate	38.0%	39.9%	39.9%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	2.9	4.1	0.1
Goodwill amortization	0.7	--	--
Dividends from foreign subsidiaries	1.3	3.0	0.7
Foreign tax credit and payments	(1.9)	9.5	0.5
Higher (lower) tax rates applicable to income of subsidiaries	(2.7)	(0.4)	0.1
Foreign income exempted for income tax purpose	(0.5)	--	--
Foreign tax assessment (refund)	(0.7)	(3.2)	(0.1)
Minority interest	2.5	0.6	1.2
Change in valuation allowance	17.5	14.7	(12.7)
Expiration of loss carryforwards of subsidiaries	0.1	3.3	--
Enacted change in tax rates	--	(28.5)	(0.3)
Realization of previously unrecognized tax benefits of subsidiaries	(11.3)	(15.7)	(1.2)
Other--net	(0.6)	(0.9)	2.1
Effective income tax rate	30.7%	26.4%	30.3%

In calculating the effective income tax rate for the fiscal year ended March 31, 2002, the reconciling items were subtracted from the combined normal effective statutory tax rate since the loss before income tax benefit was

recorded in that year.

Deferred tax assets and liabilities are computed for each tax jurisdiction using currently enacted tax rates applicable to periods when the temporary differences are expected to reverse. The tax effects of the items comprising the MTFG Group's net deferred tax assets at March 31, 2003 and 2004 were as follows:

	2003	
	(in millio	
Deferred tax assets:		
Allowance for credit losses	(Yen) 694,972	(Ye
Net operating loss carryforwards	893,459	
Accrued severance indemnities and pension liabilities	177,602	
Investment securities	149,622	
Non-interest-earning deposits with the Special Fund and the New Fund (See Note 5)	16,431	
Other real estate owned	227	
Accrued liabilities and other	64,670	
Sale-and-leaseback transactions	38,893	
Derivative financial instruments	--	
Depreciation	18,622	
Valuation allowance	(318,709)	
Total deferred tax assets	1,735,789	
Deferred tax liabilities:		
Investment securities	--	
Deferred profit on property for income tax purposes	15,720	
Equipment and auto leasing	96,769	
Derivative financial instruments	34,934	
Other	9,186	
Total deferred tax liabilities	156,609	
Net deferred tax assets	(Yen)1,579,180	(Ye

The valuation allowance was provided primarily against deferred tax assets recorded at the MTFG Group's domestic subsidiaries with operating loss carryforwards. The net changes in the valuation allowance for deferred income tax assets were an increase of (Yen)62,130 million and a decrease of (Yen)184,906 million for the fiscal years ended March 31, 2003 and 2004, respectively, which primarily reflected an increase or a decrease in such operating loss carryforwards of these subsidiaries.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

At March 31, 2004, the MTFG Group had operating loss carryforwards of (Yen)1,737,926 million and tax credit carryforwards of (Yen)489 million for tax purposes. Such carryforwards, if not utilized, are scheduled to expire as follows:

	Operating loss carryforwards	Tax credit carryforwards
	(in millions)	
Fiscal year ending March 31:		
2005	(Yen) 1,535	(Yen) --
2006	45,075	--
2007	41	--
2008	128	--
2009	64,043	--
2010	1,549,025	--
2011 and thereafter	56,794	386
No definite expiration date.	21,285	103
Total	(Yen)1,737,926	(Yen)489

In March 2004, the Japanese government extended the period for operating loss carryforwards from 5 years to 7 years under the corporate tax law. This applied retroactively to operating loss carryforwards since fiscal years beginning on or after April 1, 2001.

Income taxes are not provided on undistributed earnings of foreign subsidiaries, which are considered to be indefinitely reinvested in the operations of such subsidiaries. At March 31, 2004, such undistributed earnings of foreign subsidiaries amounted to approximately (Yen)298 billion. Determination of the amount of unrecognized deferred tax liabilities with respect to these undistributed earnings is not practicable because of the complexity associated with the hypothetical calculation including foreign withholding taxes and foreign tax credits. MTFG has neither plans nor the intention of disposing of investments in foreign subsidiaries and, accordingly, does not expect to record capital gains or losses, or otherwise monetize its foreign subsidiaries' undistributed earnings. Rather, MTFG will receive a return on investments in foreign subsidiaries by way of dividends.

Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle for the fiscal years ended March 31, 2002, 2003 and 2004 was as follows:

	2002	2003	2004
	(in millions)		
Domestic income (loss)	(Yen)(384,676)	(Yen)144,551	(Yen)1,045,975

Foreign income.....	62,159	118,373	134,173
Total.....	(Yen)(322,517)	(Yen)262,924	(Yen)1,180,148

10. PLEDGED ASSETS AND COLLATERAL

Pledged Assets

At March 31, 2004, assets mortgaged, pledged, or otherwise subject to lien were as follows:

	(in millions)
Due from banks.....	(Yen) 76
Trading account securities	2,268,147
Investment securities.....	3,461,860
Loans.....	4,420,923
Other.....	41,593
Total.....	(Yen)10,192,599

The above pledged assets are classified by type of liabilities to which they relate as follows:

	(in millions)
Deposits.....	(Yen) 265,636
Call money and funds purchased.....	473,600
Payables under repurchase agreements and securities lending transactions	4,711,077
Other short-term borrowings and long-term debt.....	4,731,714
Other.....	10,572
Total.....	(Yen)10,192,599

In addition, at March 31, 2004, certain investment securities, principally Japanese national government and Japanese government agency bonds, aggregating (Yen)5,490,444 million were pledged as collateral for acting as a collection agent of public funds, for settlement of exchange at the Bank of Japan and Tokyo Bankers Association, for derivative transactions and for certain other purposes.

Under Japanese law, Japanese banks are required to maintain certain minimum reserves on deposit with the Bank of Japan based on the amount of deposit balances and certain other factors. There are similar reserve deposit requirements for foreign offices engaged in banking businesses in foreign countries. At March 31, 2003 and 2004, the reserve funds maintained by the MTFG Group, which are included in Cash and Due from Banks and Interest-earning Deposits in Other Banks, were (Yen)2,879,345 million and (Yen)1,946,932 million, respectively. Average reserves during the fiscal years ended March 31, 2003 and 2004 were (Yen)1,302,729 million and (Yen)3,343,265 million, respectively.

Collateral

The MTFG Group accepts and provides financial assets as collateral for transactions, principally commercial loans, repurchase agreements and securities lending transactions, call money, and derivatives. Financial assets eligible for such collateral include, among others, marketable equity securities, trade and note receivables and certificates of deposit.

Secured parties, including creditors and counterparties to certain transactions with the MTFG Group, may sell or repledge financial assets provided as collateral. Certain contracts, however, may not be specific about the secured party's right to sell or repledge collateral under the applicable statutes and, therefore, whether or not the secured party is permitted to sell or repledge a collateral would differ depending on the interpretations of specific provisions of the existing statutes, contract or certain market practices. If the MTFG Group determines, based on available information, that a financial asset provided as collateral might not be sold or repledged by the secured parties, such collateral is not separately reported in the consolidated balance sheets. If a secured party is permitted to sell or repledge financial assets provided as collateral by contract or custom under the existing statutes, the MTFG Group reports such pledged financial assets separately on the face of the consolidated balance sheets. At March 31, 2004, the MTFG Group pledged (Yen)10,247 billion of collateral that may not be sold or repledged by the secured parties.

Certain banking subsidiaries accept collateral for commercial loans and certain banking transactions under a standardized agreement with customers, which provides that these banking subsidiaries may require the customers to provide collateral or guarantees with respect to the loans and other banking transactions. Financial assets pledged as collateral are generally negotiable and transferable instruments, and such negotiability and transferability is authorized by applicable legislation. In principle, Japanese legislation permits these banking subsidiaries to repledge financial assets accepted as collateral unless otherwise prohibited by contract or relevant

statutes. Nevertheless, the MTFG Group did not sell or repledge nor does it plan to sell or repledge such collateral accepted in connection with commercial loans before a debtor's default or other credit events specified in the agreements as it is not customary within the banking industry in Japan to dispose of collateral before a debtor's default and other specified credit events. Derivative agreements commonly used in the marketplace do not prohibit a secured party's disposition of financial assets received as collateral, and in resale agreements and securities borrowing transactions, securities accepted

as collateral may be sold or repledged by the secured parties. At March 31, 2004, the fair value of the collateral accepted by the MTFG Group that is permitted to be sold or repledged was approximately (Yen)10,322 billion, of which approximately (Yen)4,356 billion was sold or repledged. The amount includes the collateral that may be repledged under the current Japanese legislation but the MTFG Group does not dispose of before counterparties' default in accordance with the customary practice within the Japanese banking industry.

11. DEPOSITS

The balances of time deposits, including certificates of deposit ("CDs"), issued in amounts of (Yen)10 million (approximately US$96 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2004) or more with respect to domestic deposits and issued in amounts of US$100,000 or more with respect to foreign deposits were (Yen)17,439,570 million and (Yen)5,344,997 million, respectively, at March 31, 2003, and (Yen)15,780,157 million and (Yen)7,080,451 million, respectively, at March 31, 2004.

The maturity information at March 31, 2004 for domestic and foreign time deposits, including CDs, is summarized as follows:

	Domestic	Foreign
	(in millions)	
Due in one year or less	(Yen)17,859,043	(Yen)8,841,974
Due after one year through two years	3,903,980	104,497
Due after two years through three years	2,927,944	38,698
Due after three years through four years	685,514	16,482
Due after four years through five years	944,082	11,793
Due after five years	54,436	2,683
Total	(Yen)26,374,999	(Yen)9,016,127

12. DEBENTURES

In Japan, certain banks, including BTM, were authorized to issue discount and coupon debentures in the domestic market under applicable banking laws. The Bank of Tokyo, Ltd., which merged with The Mitsubishi Bank, Limited to create BTM, was authorized to issue such debentures and, after the merger in 1996, BTM was also permitted to issue discount and coupon debentures in the domestic market through March 2002 under the Law concerning the Merger and Conversion of Financial Institutions of Japan.

Debentures at March 31, 2003 and 2004 were comprised of the following:

	2003	2004
	(in millions)	
Three-year coupon debentures with interest of 0.02% to 0.06% (0.02% to 0.30% in 2003)	(Yen)260,880	(Yen) 76,427
Five-year coupon debentures with interest of 0.80% to 1.30% (0.80% to 1.70% in 2003)	375,180	189,530
Total	(Yen)636,060	(Yen)265,957

All debentures of (Yen)265,957 million at March 31, 2004 will mature in the fiscal year ending March 31, 2005.

13. CALL LOANS AND FUNDS SOLD, AND CALL MONEY AND FUNDS PURCHASED

A summary of funds transactions for the fiscal years ended March 31, 2002, 2003 and 2004 was as follows:

	2002	2003
		(in millions)
Average balance during the fiscal year:		
Call money and funds purchased	(Yen) 1,968,252	(Yen) 2,175,394
Call loans and funds sold	1,230,103	597,004
Net funds purchased position	(Yen) 738,149	(Yen) 1,578,390
Call money and funds purchased:		
Outstanding at end of fiscal year:		
Amount	(Yen) 2,542,489	(Yen) 2,689,892
Principal range of maturities	1 day to 30 days	1 day to 30 days
Weighted average interest rate	0.61%	0.30%
Maximum balance at any month-end during the fiscal year	(Yen) 2,542,489	(Yen) 2,981,442
Weighted average interest rate paid during the fiscal year	0.91%	0.58%

Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages.

14. DUE TO TRUST ACCOUNT

Mitsubishi Trust holds assets on behalf of its customers in an agent, fiduciary or trust capacity. Such trust account assets are not the MTFG Group's proprietary assets and are managed and accounted for separately.

However, excess cash funds of individual trust accounts are often placed with Mitsubishi Trust that manages the funds together with its own funds in its proprietary account. Due to trust account reflects a temporary placement of the excess funds from individual trust accounts and, in view of the MTFG Group's funding, due to trust account is similar to short-term funding, including demand deposits and other overnight funds purchased. The balance changes in response to the day-to-day changes in the excess funds placed by the trust accounts. A summary of due to trust account transactions for the fiscal years ended March 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
		(in millions)	
Average balance outstanding during the fiscal year.....	(Yen)2,940,975	(Yen)1,691,359	(Yen)1,32
Maximum balance at any month-end during the fiscal year	3,533,489	2,188,326	1,40
Weighted average interest rate during the fiscal year..	0.57%	0.51%	

15. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2003 and 2004, the MTFG Group had unused lines of credit amounting to (Yen)3,431,430 million and (Yen)3,773,476 million, respectively. The amounts principally consist of the lines of collateralized intraday overdrafts without interest charges and collateralized overnight loans on bills at the official discount rate granted by the Bank of Japan, which are used to cover shortages in the Bank of Japan account and to meet liquidity needs. The MTFG Group may borrow from the Bank of Japan on demand up to the total amount of collateral eligible for credit extension.

Other short-term borrowings at March 31, 2003 and 2004 were comprised of the following:

	2003	
	(in millions	
Domestic offices:		
Loans on notes and acceptances transferred with recourse (rediscount)...	(Yen)1,227,170	(Yen)
Commercial paper.....	466,000	
Borrowings from financial institutions.....	626,000	
Other.....	221,416	
Total domestic offices.....	2,540,586	
Foreign offices:		
Commercial paper.....	221,209	
Other.....	92,599	
Total foreign offices.....	313,808	
Total.....	2,854,394	
Less unamortized discount.....	366	
Other short-term borrowings--net.....	(Yen)2,854,028	(Yen)
Weighted average interest rate on outstanding balance at end of fiscal year	0.48%	

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

A summary of other short-term borrowing transactions for the fiscal years ended March 31, 2002, 2003 and 2004 was as follows:

	2002	2003	2004
		(in millions)	
Average balance outstanding during the fiscal year.....	(Yen)2,038,669	(Yen)2,763,028	(Yen)3,72
Maximum balance at any month-end during the fiscal year	3,318,634	2,870,339	5,66
Weighted average interest rate during the fiscal year..	2.24%	1.02%	

Long-term debt (with original maturities of more than one year) at March 31, 2003 and 2004 was comprised of the following:

	2003
	(in m
BTM:	
Obligations under capital leases.....	(Yen) 22,40
Obligation under sale-and-leaseback transactions.....	102,20
Unsubordinated debt:	
Insurance companies and other institutions, maturing serially through 2035, principally 0.25%-7.49%.....	350,42
Fixed rate bonds, payable in Japanese yen, due 2004-2022, principally 0.22%-3.00%.....	1,730,00
Subordinated debt:	
Fixed rate notes, payable in United States dollars, due 2010, 8.40%.....	240,25
Fixed rate bonds, payable in Japanese yen, due 2006-2013, principally 0.55%-2.39%.....	200,00
Fixed rate borrowings, payable in Japanese yen, due 2004-2012, principally 1.69%- 6.20%.....	402,65
Adjustable rate bonds, payable in Japanese yen, due 2011-2012, principally 0.56%- 1.05%.....	33,00
Adjustable rate borrowings, payable in Japanese yen, due 2005-2018, principally 0.69%-3.75%.....	202,50
Adjustable rate borrowings, payable in Yuan, due 2006, principally 2.80%-3.96%.....	-
Floating rate borrowings, payable in Japanese yen, due 2005-2010, principally 0.06%- 0.42%.....	12,90
Total.....	3,296,34
Mitsubishi Trust:	
Obligation under capital leases.....	58
Unsubordinated debt:	

Insurance companies and other institutions, due 2004-2035, principally 0.00%-4.75%	45,94
Subordinated debt:	
Fixed rate borrowings, payable in Japanese yen, due 2004-2013, principally 1.25%- 4.92%	53,00
Adjustable rate borrowings, payable in Japanese yen, due 2010-2012, principally 0.61%-3.25%	34,00
Floating rate borrowings, payable in Japanese yen, due 2006, 0.85%	64,00
Perpetual bonds, payable in Japanese yen, principally 1.11%-2.25%	65,60
Fixed rate bonds, payable in Japanese yen, due 2010, 2.70%	30,00
Adjustable rate bonds, payable in Japanese yen, due 2010-2016, principally 0.76%- 2.45%	116,40
Total	409,53

	2003
	(in
Other subsidiaries:	
Unsubordinated debt:	
Insurance companies and other institutions, due 2004-2011, principally 0.32%-11.62%	(Yen) 225,3
0.25% Convertible Bonds due 2014, payable in Japanese yen	51,2
Fixed rate bonds and notes, payable in United States dollars, due 2004-2018, principally 2.20%-6.53%	38,0
Fixed rate bonds and notes, payable in Japanese yen, due 2004-2017, principally 0.17%- 4.40%	98,5
Adjustable rate bonds and notes, payable in United States dollars, due 2007-2023, principally 6.46%-8.44%	8,7
Adjustable rate bonds and notes, payable in Japanese yen, due 2007-2021, principally 1.34%-4.71%	21,6
Floating rate bonds and notes, payable in United States dollars, due 2005-2010, principally 1.97%-5.10%	3,5
Floating rate bonds and notes, payable in Japanese yen, due 2004-2023, principally 0.13%-4.71%	65,8
Floating rate notes, payable in Euro, due 2017, 4.59%	1,2
Obligations under capital leases and other miscellaneous debt	40,4
Total unsubordinated debt	554,8
Subordinated debt:	
Insurance companies and other institutions, due 2005-2010, principally 3.10%-3.39%	4,3
Undated notes, payable in Japanese yen, principally 0.40%-4.90%	58,0
Fixed rate undated notes, payable in Japanese yen, principally 1.40%-2.60%	9,7
Perpetual Bonds, payable in Japanese yen, principally 1.11%-3.15%	20,3
Fixed rate bonds and notes, payable in United States dollars, due 2007-2029, principally 5.25%-7.35%	6,4

Fixed rate bonds and notes, payable in Japanese yen, due 2006-2028, principally 0.37%- 5.10%	95,4
Adjustable rate undated notes, payable in United States dollars, 3.04%	4,7
Adjustable rate undated notes, payable in Japanese yen, principally 0.77%-3.16%	335,8
Adjustable rate bonds and notes, payable in United States dollars, due 2009, 2.00%	3,5
Adjustable rate bonds and notes, payable in Japanese yen, due 2006-2014, principally 0.12%-5.93%	193,8
Floating rate undated notes, payable in Japanese yen, principally 1.27%-1.57%	53,6
Floating rate bonds and notes, payable in United States dollars, due 2006-2013, principally 1.98%-5.12%	5,9
Floating rate bonds and notes, payable in Japanese yen, due 2004-2027, principally 0.04%-5.61%	60,3
Other miscellaneous debt	2,6
Total subordinated debt	854,9
Mandatorily redeemable preferred securities of subsidiary grantor trust	43,4
Junior subordinated debt payable to subsidiary grantor trust	
Total	1,453,2
Total	(Yen)5,159,1

Notes:

1. Adjustable rate debts are debts where interest rates are reset in accordance with the terms of the debt agreements, and floating rate debts are debts where interest rates are repriced in accordance with movements of market indices.
2. 0.25% Convertible Bonds of (Yen)50,700 million, unsubordinated debt of other subsidiaries, can be convertible into common stock of Mitsubishi Securities.
3. Mandatorily redeemable preferred securities of subsidiary grantor trust and Junior subordinated debt payable to subsidiary grantor trust were issued by a wholly owned subsidiary of UNBC (see Notes 23 and 25). On February 19, 2004, they were redeemed by UNBC.

Certain unsubordinated bonds and notes (aggregating (Yen)43,680 million at March 31, 2004), and certain subordinated bonds and notes (aggregating (Yen)819,948 million at March 31, 2004) issued by subsidiaries are guaranteed, on a subordinated basis, by MTFG, BTM, Mitsubishi Trust or a subsidiary as to payment of principal and interest.

BTM, Mitsubishi Trust and certain other subsidiaries entered into interest rate and currency swaps for certain debt in order to manage exposure to interest rate and currency exchange rate movements. As a result of these swap arrangements, the effective interest rates may differ from the coupon rates reflected in the above table. The interest rates for the adjustable and floating rate debt shown in the above table are those in effect at March 31, 2003 and 2004. Certain interest rates are determined by formulas and may be subject to certain minimum and maximum rates. Floating and adjustable rate debt

agreements may provide for interest rate floors to prevent negative interest payments (i.e., receipts).

Certain debt agreements permit BTM, Mitsubishi Trust and some other subsidiaries to redeem the related debt, in whole or in part, prior to maturity at the option of the issuer on terms specified in the respective agreements.

The following is a summary of maturities of long-term debt subsequent to March 31, 2004:

	BTM	Mitsubishi Trust	Other subsidiaries	Total
		(in millions)		
Fiscal year ending March 31:				
2005	(Yen) 474,045	(Yen) 20,237	(Yen) 113,597	(Yen) 607,879
2006	567,630	30,706	140,305	738,641
2007	508,059	23,130	119,775	650,964
2008	289,628	131	48,398	338,157
2009	368,299	145	112,984	481,428
2010 and thereafter	1,561,074	363,842	917,892	2,842,808
Total	(Yen)3,768,735	(Yen)438,191	(Yen)1,452,951	(Yen)5,659,877

16. SEVERANCE INDEMNITIES AND PENSION PLANS

All employees of MTFG are loaned from BTM and Mitsubishi Trust. The employees are subject to severance indemnities and pension plans of each of these subsidiaries as described below, and included in the calculation of pension costs and liabilities of BTM and Mitsubishi Trust.

Domestic Subsidiaries

BTM, Mitsubishi Trust, and certain other domestic subsidiaries have severance indemnities plans under which their employees in Japan, other than those who are directors, are entitled, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, to lump-sum severance indemnities. Under the severance indemnities plans, benefit payments in the form of lump-sum cash payment without allowing a benefit payee an option to receive annuity payments, upon mandatory retirement at normal retirement age or earlier termination of employment, are provided. When a benefit is paid in a single payment to a benefit payee under the plans, the payment represents final relief of the obligation.

BTM, Mitsubishi Trust, and certain other domestic subsidiaries also have funded contributory defined benefit pension plans (private plans) which cover substantially all of their employees in Japan and provide for lifetime

annuity payments commencing at age 65 based on eligible compensation at the

time of severance, years of service and other factors. These domestic subsidiaries have Employees' Pension Fund plans ("EPF"s), which are defined benefit pension plans established under the Japanese Welfare Pension Insurance Law ("JWPIL"). These plans are composed of (a) substitutional portion based on the pay-related part of the old-age pension benefits prescribed by JWPIL (similar to social security benefits in the United States) and (b) a corporate portion based on a contributory defined benefit pension arrangement established at the discretion of each subsidiary. The subsidiaries with an EPF and their employees are exempted from contributions to Japanese Pension Insurance ("JPI") that would otherwise be required if they had not elected to fund the substitutional portion of the benefit through an EPF arrangement. The EPF, in turn, pays both the corporate and substitutional pension benefits to retired beneficiaries out of its plan assets. Benefits of the substitutional portion are based on a standard remuneration schedule as determined by the JWPIL, but the benefits of the corporate portion are based on a formula determined by each employer/EPF. Pension benefits and plan assets applicable to the substitutional portion are included with the corporate portion of these domestic subsidiaries in the determination of net periodic costs and funded status.

In June 2001, the JWPIL was amended to permit each employer/EPF to separate the substitutional portion from its EPF and transfer the obligation and related assets to the government. The separation process occurs in several phases.

In June 2003, BTM submitted to the government an application to transfer the obligation to pay benefits for future employee service related to the substitutional portion, and the application was approved by the government in August 2003. Upon that approval, BTM began making pension insurance payments to the government and the government assumes the benefit obligations arising from future employee services. To complete the entire separation process, in August 2004, BTM made another application for transfer of the remaining substitutional portion (benefit obligation related to past services), but the timing of the approval is not known yet. Upon the approval of the second application, BTM will transfer to a government agency some of its plan assets and, in exchange, be released from paying the remaining substitutional portion of the benefit obligations for past employee services. The impact on MTFG's consolidated financial statements of the transfers accounted for in accordance with EITF 03-2 is not known and cannot be reasonably estimated until the completion of the transfer, as explained in Note 1 to the consolidated financial statements.

BTM and Mitsubishi Trust also have closed Tax-Qualified Pension Plans ("closed TQPPs"), funded non-contributory defined benefit pension plans, providing benefits to certain retired employees, excluding directors, in Japan, based on eligible compensation at the time of severance, years of service and other factors. BTM's plan covers retired employees whose service period with BTM was 5 years or more, and provides for lifetime or certain limited period annuity payments commencing at age 60. Mitsubishi Trust's plan covers retired employees whose service period with Mitsubishi Trust was 20 years or more, and provides for a 10-year period annuity payment commencing in the month following retirement or, at the option of each eligible employee, at age 60.

Net periodic cost of the severance indemnities and pension plans, net of contributions made by employees, for the fiscal years ended March 31, 2002, 2003 and 2004 included the following components:

	2002	2003
		(in mill
Service cost--benefits earned during the fiscal year	(Yen) 22,741	(Yen) 25
Interest costs on projected benefit obligation	25,166	24
Expected return on plan assets	(24,403)	(25
Amortization of unrecognized net obligation at transition	4,199	4
Amortization of unrecognized prior service cost	3,405	2
Amortization of net actuarial loss	10,998	22
Loss on settlements	5,240	6
Net periodic benefit cost	(Yen) 47,346	(Yen) 59
Weighted-average assumptions used:		
Discount rates in determining expense	2.88%	
Discount rates in determining benefit obligation	2.47	
Rates of increase in future compensation level for determining expense	3.12	
Rates of increase in future compensation level for determining benefit obligation	3.09	
Expected rates of return on plan assets	4.45	

The following table sets forth the combined funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2003 and 2004 for the plans of BTM, Mitsubishi Trust and certain other domestic subsidiaries. BTM and some of its domestic subsidiaries have measured plan assets and benefit obligations at December 31 each fiscal year for the purpose of financial statements, whereas Mitsubishi Trust has used March 31 each year for the measurement date. Accordingly, funded status and amounts recognized in the table below shows the combined amounts of those presented in the consolidated financial statements of these subsidiaries.

	2003		
	Severance indemnities plans and non-contributory pension plans	Contributory pension plans	To
Change in benefit obligation:			
Benefit obligation at beginning of fiscal year	(Yen) 143,065	(Yen) 835,942	(Yen)
Service cost	7,976	17,319	
Interest cost	3,887	20,313	
Plan participants' contributions	--	2,934	

Amendments	(3,447)	(44,027)	
Acquisitions	28,106	--	
Divestitures	--	--	
Actuarial loss (gain)	16,205	90,182	
Benefits paid	(1,893)	(21,299)	
Lump-sum payment	(15,280)	--	
Benefit obligation at end of fiscal year	178,619	901,364	1,
Change in plan assets:			
Fair value of plan assets at beginning of fiscal year	78,602	580,511	
Actual return (negative return) on plan assets	(14,057)	(49,214)	
Acquisitions	12,248	--	
Divestitures	--	--	
Employer contributions	2,492	85,909	
Plan participants' contributions	--	2,934	
Benefits paid	(1,893)	(21,299)	
Fair value of plan assets at end of fiscal year	77,392	598,841	
Projected benefit obligation in excess of plan assets at end of fiscal year	(101,227)	(302,523)	(
Contributions to or benefits paid from plan assets during three months ended March 31, 2003 and 2004	5,034	10,289	
Unrecognized net actuarial loss	75,634	435,413	
Unrecognized prior service cost	(2,015)	(26,205)	
Unrecognized net (asset) obligation at transition	(841)	12,115	
Net amount recognized	(Yen) (23,415)	(Yen) 129,089	(Yen)
Amounts recognized in the balance sheets:			
Prepaid pension cost	(Yen) 334	(Yen) --	(Yen)
Accrued pension liability	(75,766)	(245,008)	(
Intangible assets	1,710	12,843	
Accumulated other changes in equity from nonowner sources	50,307	361,254	
Net amount recognized	(Yen) (23,415)	(Yen) 129,089	(Yen)

	2004	
	Contributory pension plans	Total
Change in benefit obligation:		
Benefit obligation at beginning of fiscal year	(Yen) 901,364	(Yen)1,079,983
Service cost	16,288	25,486
Interest cost	17,059	20,126
Plan participants' contributions	2,447	2,447
Amendments	(2,570)	(775)
Acquisitions	--	--
Divestitures	--	(37)
Actuarial loss (gain)	(30,345)	(27,846)

Benefits paid	(23,226)	(26,675)
Lump-sum payment	--	(14,637)
Benefit obligation at end of fiscal year	881,017	1,058,072
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	598,841	676,233
Actual return (negative return) on plan assets	87,756	108,792
Acquisitions	--	--
Divestitures	--	(24)
Employer contributions	114,641	135,940
Plan participants' contributions	2,447	2,447
Benefits paid	(23,226)	(26,675)
Fair value of plan assets at end of fiscal year	780,459	896,713
Projected benefit obligation in excess of plan assets at end of fiscal year	(100,558)	(161,359)
Contributions to or benefits paid from plan assets during three months ended March 31, 2003 and 2004	5,134	8,958
Unrecognized net actuarial loss	304,843	353,754
Unrecognized prior service cost	(27,658)	(27,947)
Unrecognized net (asset) obligation at transition	7,581	7,371
Net amount recognized	(Yen) 189,342	(Yen) 180,777
Amounts recognized in the balance sheets:		
Prepaid pension cost	(Yen) 98,489	(Yen) 107,259
Accrued pension liability	(124,404)	(174,939)
Intangible assets	1,772	5,057
Accumulated other changes in equity from nonowner sources	213,485	243,400
Net amount recognized	(Yen) 189,342	(Yen) 180,777

Note: The aggregated accumulated benefit obligations of these plans were (Yen)1,012,330 million and (Yen)1,000,965 million, respectively, as of March 31, 2003 and 2004. The severance indemnities plans generally employ a multi-variable, non-linear formula based upon compensation at the time of severance, rank and years of service. Employees with service in excess of one year are qualified to receive lump-sum severance indemnities.

The projected benefit obligations, accumulated benefit obligations and fair value of plan assets for the plans of BTM and Mitsubishi Trust and certain domestic subsidiaries with accumulated benefit obligations in excess of plan assets were (Yen)1,079,983 million, (Yen)1,012,330 million and (Yen)676,233 million, respectively at March 31, 2003 and (Yen)802,134 million, (Yen)767,077 million and (Yen)583,180 million, respectively at March 31, 2004.

Pension plans are not fully integrated among subsidiaries of the MTFG Group and

plan assets are managed separately by each plan:

BTM

Asset allocation

BTM's contributory pension plan asset allocations at December 31, 2002 and 2003, by asset category were as follows:

Asset Category	Contributory Pension Plan Assets at December 31, 2002	2003
EPF assets	89.66%	88.90%
Fund for corporate portion	89.66	68.98
Japanese equity securities	20.39	18.51
Japanese debt securities	26.12	27.71
General account of life insurance companies*	26.62	11.12
Non-Japanese equity securities	8.26	5.92
Non-Japanese debt securities	7.04	5.48
Short-term assets	1.23	0.24
Fund for substitutional portion	--	19.92
Japanese short-term monetary assets**	--	6.06
General account of life insurance companies*	--	13.86
Assets retained in employee retirement benefit trust	10.34	11.10
Japanese equity securities	10.34	11.10
	100.00%	100.00%

Japanese equity securities include the MTFG Group's common stock in the amounts of (Yen)1,047 million (0.24% of contributory pension plan assets) and (Yen)1,330 million (0.27% of contributory pension plan assets) at December 31, 2002 and 2003, respectively.

Japanese debt securities include the MTFG Group's debt securities in the amounts of (Yen)274 million (0.06% of contributory pension plan assets) and (Yen)617 million (0.12% of contributory pension plan assets) at December 31, 2002 and 2003, respectively.

The contributory pension plan assets consisted of EPF and an employee retirement benefit trust. BTM is in the process of transferring to the Japanese Government the substitutional portion of EPF liabilities, and the assets will be delivered to the Employees' Pension Insurance when the transfer procedure is completed. Therefore, the EPF assets are separated into a fund for the corporate portion (hereafter called "fund for the corporate portion"), and a fund for the substitutional portion of EPF (hereafter called "fund for the substitutional portion").

Notes:

* "General account of life insurance companies" is a contract with life insurance companies that guarantees a return of approximately 0.75% (from April 2003 to March 2004), which is mainly invested in assets with low market risk such as Japanese debt securities. In terms of pension plan asset allocation, BTM regards the general account in the same category as Japanese debt securities, because it is generally believed that there is a high degree of correlation between their performances. BTM carefully monitors

life insurance companies by credit rating and other assessments.
** Includes bank deposit for benefit payments at December 31, 2003.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The asset allocations of BTM and certain domestic subsidiaries in severance indemnities plans and non-contributory pension plans are as follows.

	Asset ratio at December 31,	
Asset category	2002	2003
Equity securities	71.03%	74.23%
Debt securities..	21.42	18.26
Others.....	7.55	7.51
Total.....	100.00%	100.00%

Note: BTM's severance indemnities plan assets are an employee retirement benefit trust invested in Japanese equity securities.

Investment policies

BTM's target asset allocation for funds for the corporate portion in contributory pension plans, which is the EPF funds not including the funds for the substitutional portion, is as follows:

Asset Category	Asset ratio at December 31, 2003
Japanese equity securities....	25.3%
Japanese debt securities.....	57.1
Non-Japanese equity securities	10.2
Non-Japanese debt securities..	7.4
Total.....	100.0%

BTM regards that the purpose of contributory pension plan investments is to achieve assured benefits and stable contributions through proper risk control and return maximization. BTM attaches a great deal of importance to the long-term performance of its contributory pension plan investments to achieve assured benefits. BTM fixes the long-term asset allocation, which will be maintained for approximately five years, for efficient long-term investment return. The long-term asset allocation is based on optimal portfolios, which are estimated by expected return and risk according to each asset class, while

considering BTM's risk tolerance.

BTM invests the fund for the substitutional portion in assets with high liquidity and low market risk, because these assets will be delivered to the Employees' Pension Insurance when the refund procedure is completed. As a general rule, BTM reviews its investment policies approximately every five years. Additionally, a review is made in the following situations: large fluctuations in pension plan liabilities caused by modifications of pension plans, or changes in the market environment. BTM carefully examines investment in alternative assets, such as derivatives or hedge funds, while considering BTM's investment administration structure. BTM controls risk on its pension plan portfolio by standard deviation analysis. Additionally, BTM requires and checks that investment companies tracks errors in each asset class within a designated range.

BTM regards that the purpose of employee retirement benefit trust investment is to achieve assured benefits by contribution of assets to the trust. Employee retirement benefit trust assets are invested in Japanese equity securities. This asset allocation will be held for the mid-term, but it is undecided whether it will be held in the long term.

BTM's severance indemnities plan consists of an employee retirement benefit trust. The trust's purpose and basic policy is described above. BTM's TQPPs has closed and there are no more new beneficiaries. Therefore, to achieve assured benefit, the fund is invested in assets with low market risk.

Basis and procedure for estimating long-term return of each asset class

The expected long-term return on the fund for the corporate portion of the contributory pension plan is 3.7% for each asset class. The expected rate of return for each asset class is based on long-term prospects for the economy, historical performance, market environment, and some other factors. The expected rate of return on the fund for the substitutional portion of the contributory pension plan is estimated as 0.6% based on historical performance.

The expected rate of return on the employee retirement benefit trust is estimated as 1.0% based on the expected dividend yield on Japanese equity securities. Expected capital return is not taken into account, because the long-term asset allocation is undecided.

BTM's severance indemnities plan consists of an employee retirement benefit trust. The trust's expected return is as described above.

Expected rate of return on closed TQPPs is estimated as 2.73% based on the performance over the last three fiscal years.

Cash flows

BTM and certain other domestic subsidiaries expect to contribute approximately (Yen)21 billion to pension plans in the fiscal year ending March 31, 2005 based upon their current funded status and expected asset return assumptions.

Mitsubishi Trust

Asset allocation

The asset allocations of Mitsubishi Trust's severance indemnities plans, contributory pension plans and non-contributory pension plans are as follows.

Asset category	Asset ratio at March 31, 2003	Asset ratio at March 31, 2004
Japanese equity securities....	36.9%	60.9%
Japanese debt securities.....	17.0	12.7
Non-Japanese equity securities	10.4	6.6
Non-Japanese debt securities..	10.1	11.7
Real estate.....	3.5	2.3
Others.....	22.1	5.8
Total.....	100.0%	100.0%

Note: Others include mainly short term deposit, short term money market product, and short term investment products.

Equity securities include the MTFG Group's common stock in the amounts of (Yen)205 million (0.12 % of total plan assets) and (Yen)514 million (0.16 % of total plan assets) at March 31, 2003 and 2004, respectively.

Debt securities include the MTFG Group's debt securities in the amounts of (Yen)63 million (0.04 % of total plan assets) and (Yen)154 million (0.05 % of total plan assets) at March 31, 2003 and 2004, respectively.

Investment policies

Mitsubishi Trust's target asset allocation for funds is as follows:

Asset category	Asset ratio at March 31, 2004
Japanese equity securities....	57.3%
Japanese debt securities.....	14.4
Non-Japanese equity securities	7.5
Non-Japanese debt securities..	11.2
Others.....	9.6
Total.....	100.0%

The investment policy for the pension plan assets is based on an asset liability strategy which is intended to maintain adequate liquidity for benefit payments and achieve long-term returns on assets allocation. Mitsubishi Trust does not rebalance the proportion of pension plan assets, periodically. Mitsubishi Trust rebalances the allocation of pension plan assets only when it is necessary to adjust the gap between actual return and short-term return target.

Plan assets are well diversified to reduce exposure to risks and the diversification of countries and currencies are taken into account specifically in investing in foreign assets. Furthermore, Mitsubishi Trust's plan assets are intended to avoid speculative investments in the case of investing in derivative instruments.

Basis and procedure for estimating long-term return of each asset class

The expected rate of return on plan assets is based on building-block method, which calculates total pension assets' rate of return by aggregating the weighted rate of return of each plan asset.

Mitsubishi Trust decided the expected rate of return for each asset class as below:

.. Japanese equity securities: the rate for Japanese debt securities plus a premium for the risk associated with Japanese equity securities

.. Japanese debt securities: economic growth rate of Japan

.. Non-Japanese equity securities: the rate for non-Japanese debt securities plus a premium for the risk associated with non-Japanese equity securities

.. Non-Japanese debt securities: global economic growth rate

.. Others: the rate for Japanese debt securities minus interest rate spread

Cash flows

Mitsubishi Trust expects to contribute approximately (Yen)13 billion to pension plans in the fiscal year ending March 31, 2005 based upon their current funded status and expected asset return assumptions.

In accordance with the provisions of SFAS No. 87, the MTFG Group has recorded an additional minimum liability representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liabilities previously recorded. A corresponding amount is recognized as an intangible asset to the extent of unrecognized net obligation at transition and prior service costs, with the remaining balance recorded as a separate reduction of shareholders' equity, net of income taxes.

In accordance with BTM's, Mitsubishi Trust's and certain domestic subsidiaries' employment practices, certain early-terminated employees are entitled to

special lump-sum termination benefits. The amounts charged to operations for such early termination benefits for the fiscal years ended March 31, 2002, 2003 and 2004 were (Yen)9,914 million, (Yen)14,150 million and (Yen)12,536 million, respectively.

In accordance with amendments to the relevant welfare pension legislation, BTM amended its contributory defined benefit pension plans to change the age of commencement of lifetime annuity payments from 60 to 65 in January 2002, which was reflected in the consolidated financial statements for the fiscal year ended March 31, 2003 because of BTM's measurement date of December 31, 2001. Furthermore, in November 2002, BTM amended its pension plan to reduce employee pension benefits by amounts ranging from 7% to 20%, which will be payable to employees who retire on or after April 1, 2003. The effect of the negative amendments was a decrease of (Yen)44,027 million in the projected benefit obligation. Mitsubishi Securities, one of BTM's securities subsidiaries, amended its pension plan to change the lifetime annuity payments to limited period annuity payments. The amendment resulted in a decrease of (Yen)3,447 million in the projected benefit obligation.

For the fiscal year ended March 31, 2004, Mitsubishi Trust integrated the pension plans of Mitsubishi Trust, former NTB and former TTB. The severance indemnities plan and the government-sponsored contributory pension plan of NTB and TTB were integrated into and succeeded by the respective Mitsubishi Trust's plans (NTB and TTB did not have tax-qualified contributory pension plans). The integration increases prior service costs of NTB and TTB employees and, at the same time, Mitsubishi Trust's plans were amended to reduce pension benefits. Former employees of NTB and TTB had been treated as if they had joined the Mitsubishi Trust's plan for years of service. The net effect of the integration and amendment is recognition of (Yen)775 million of negative prior service cost and a decrease in the projected benefit obligation in the aggregate.

During the fiscal years ended March 31, 2002, 2003 and 2004, BTM and Mitsubishi Trust entered into retirement benefit trust agreements with a domestic trust bank and contributed marketable equity securities with a fair value of (Yen)133,158 million, (Yen)24,612 million and (Yen)87,586 million, respectively, to the trusts designated to pay benefits for their severance indemnities plans and contributory pension plans. The contributions were accounted for as sales with an aggregate gain of (Yen)26,225 million, a loss of (Yen)1,175 million and a gain of (Yen)14,452 million, respectively, recognized for the years then ended. Such contributions were accounted for as sales because the transfer met the sale accounting criteria of SFAS No. 140, and the securities placed into the trust were qualified as plan assets as defined by SFAS No. 87.

Foreign Offices and Subsidiaries

Foreign offices and subsidiaries also have defined contribution plans and/or defined benefit plans. The cost of such plans charged to operations for the fiscal years ended March 31, 2002, 2003 and 2004 were (Yen)5,682 million, (Yen)7,140 million and (Yen)8,285 million, respectively, including (Yen)2,584 million, (Yen)3,487 million and (Yen)3,635 million, respectively, for defined contribution plans.

Foreign offices and subsidiaries have postemployment and/or postretirement plans for eligible employees and retirees. The costs charged to operations for the fiscal years ended March 31, 2002, 2003 and 2004 were (Yen)1,373 million, (Yen)1,962 million and (Yen)3,164 million, respectively.

Certain of MTFG's subsidiaries in the United States of America maintain employees' retirement plans, which are qualified retirement plans covering substantially all of the employees of such subsidiaries. The plans are non-contributory defined benefit plans, which provide benefits upon retirement

based on years of service and average compensation. The plans are funded on a current basis in compliance with the requirement of the Employee

Retirement Income Security Act of the United States of America. These subsidiaries also provide certain post employment benefits and postretirement benefits other than pensions for employees. Plan assets are generally invested in U.S. government securities, corporate bonds and mutual funds.

The net periodic cost of the employees' retirement and other benefit plans of certain offices and subsidiaries in the United States of America for the fiscal years ended March 31, 2002, 2003 and 2004 include the following components:

	2002	2003
		(in millio
Service cost--benefits earned during the fiscal year	(Yen) 3,521	(Yen) 4,4
Interest costs on projected benefit obligation	6,317	7,5
Expected return on plan assets	(7,462)	(9,1
Amortization of unrecognized net obligation at transition	233	4
Amortization of unrecognized prior service cost	(30)	(
Amortization of net actuarial loss	378	7
Net periodic benefit cost	(Yen) 2,957	(Yen) 4,0
Weighted-average assumptions used:		
Discount rates in determining expense	7.53%	7.
Discount rates in determining benefit obligation	7.30	6.
Rates of increase in future compensation level for determining expense	5.00	4.
Rates of increase in future compensation level for determining benefit obligation	4.89	4.
Expected rates of return on plan assets	8.30	8.

The following table sets forth the funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2003 and 2004 for the employees' retirement and other benefit plans of certain offices and subsidiaries in the United States of America:

	2003	20

	(in millions)	
Change in benefit obligation:		
Benefit obligation at beginning of fiscal year	(Yen)107,916	(Yen)1
Service cost	4,492	
Interest cost	7,550	
Plan participants' contributions	202	
Amendments	(1,071)	
Actuarial loss	15,836	
Benefits paid	(4,678)	
Translation adjustments	(10,796)	(
Benefit obligation at end of fiscal year	119,451	1
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	94,787	
Actual return (negative return) on plan assets	(9,015)	
Employer contributions	24,154	
Plan participants' contributions	202	
Benefits paid	(4,577)	
Translation adjustments	(9,103)	(
Fair value of plan assets at end of fiscal year	96,448	1
Projected benefit obligation in excess of plan assets at end of fiscal year	(23,003)	
Unrecognized net actuarial loss	47,866	
Unrecognized prior service cost	156	
Unrecognized net obligation at transition	3,343	
Net amount recognized	(Yen) 28,362	(Yen)
Amounts recognized in the balance sheets:		
Prepaid pension cost	(Yen) 30,645	(Yen)
Accrued pension liability	(3,375)	
Intangible assets	15	
Accumulated other changes in equity from nonowner sources	1,077	
Net amount recognized	(Yen) 28,362	(Yen)

17. OTHER ASSETS AND LIABILITIES

Major components of other assets and liabilities at March 31, 2003 and 2004 were as follows:

	2003
	(
Other assets:	

Accounts receivable:		
Receivables from brokers, dealers and customers for securities transactions	(Yen)	44
Other		22
Investments in affiliated companies		6
Other real estate owned, net		
Non-interest-earning deposits with the Special Fund and the New Fund (See Note 5)		13
Other		85
Total	(Yen)	1,73
Other liabilities:		
Accounts payable:		
Payables to brokers, dealers and customers for securities transactions	(Yen)	70
Other		47
Deferred tax liabilities		6
Allowance for off-balance-sheet credit instruments		8
Accrued pension liability		33
Minority interest		33
Accrued and other liabilities		58
Guarantees and indemnifications		1
Total	(Yen)	2,59

At March 31, 2003 and 2004, the valuation allowance to write down the carrying amounts of other real estate owned to their estimated fair value less estimated cost to sell was (Yen)5,814 million and (Yen)499 million, respectively. The valuation allowance decreased by (Yen)26,461 million, (Yen)5,381 million and (Yen)5,315 million, respectively, during the fiscal years ended March 31, 2002, 2003 and 2004.

Investments in affiliated companies, which are accounted for using the equity method, include marketable equity securities carried at (Yen)11,743 million and (Yen)13,275 million, respectively, at March 31, 2003 and 2004. Corresponding aggregated market values were (Yen)17,975 million and (Yen)43,171 million, respectively.

18. PREFERRED STOCK

By the Articles of Incorporation, MTFG was originally authorized to issue 81,400 shares of Class 1 Preferred Stock, 100,000 shares of Class 2 Preferred Stock, 120,000 shares of Class 3 Preferred Stock and 120,000 shares of Class 4 Preferred Stock, without par value.

All classes of preferred stock to be issued are non-voting and have equal preference with MTFG's common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of MTFG. They are all non-cumulative and non-participating with respect to dividend payments. Shareholders of Class 1, Class 2, Class 3 and Class 4 Preferred Stock receive a liquidation distribution at (Yen)3,000 thousand, (Yen)2,000 thousand, (Yen)2,500 thousand and (Yen)2,500 thousand per share, respectively, and do not have the right to participate in any further liquidation distributions.

Class 1 Preferred Stock

Class 1 Preferred Stock is redeemable at the option of MTFG. An annual dividend (not to exceed (Yen)82,500 per share) and redemption terms, including a redemption price, are stipulated by the Articles of Incorporation.

On January 21, 1999, BTM issued 81,400 thousand shares of Class 1 preferred stock at (Yen)3,000 per share ((Yen)244,200 million in the aggregate). On April 2, 2001, MTFG issued 81,400 shares of Class 1 Preferred Stock in exchange for Class 1 preferred stock of BTM at an exchange ratio of one share of MTFG's Class 1 Preferred Stock for each 1,000 shares of BTM Class 1 preferred stock.

MTFG may redeem shares of Class 1 Preferred Stock at (Yen)3,000 thousand per share, in whole or in part and proposes to appropriate (Yen)244.2 billion of capital surplus to use in redeeming the shares of Class 1 Preferred Stock through a resolution of the Board of Directors as provided for in the Code and the Articles of Incorporation of MTFG.

Class 2 Preferred Stock

Class 2 Preferred Stock is convertible into common stock at the option of the shareholders during a conversion period. The conversion is mandatory on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed (Yen)16,200 per share), and conversion terms, including a conversion period.

On March 31, 1999, Mitsubishi Trust issued 100,000 thousand shares of Class 1 preferred stock at (Yen)2,000 per share ((Yen)200,000 million in the aggregate). On April 2, 2001, MTFG issued 100,000 shares of Class 2 Preferred Stock in exchange for Class 1 preferred stock of Mitsubishi Trust at an exchange ratio of one share of MTFG's Class 2 Preferred Stock for each 1,000 shares of Mitsubishi Trust's Class 1 preferred stock.

At the option of the shareholders, Class 2 Preferred Stock is convertible into common stock during the period from July 31, 2003 to July 31, 2008 at the initial conversion price of (Yen)1,357,559.2 per share. The conversion price is to be revised annually on August 1 of each year from 2003 through 2007 to reflect, with certain adjustments, as defined, the average market closing price of the common stock of MTFG traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of revision of the conversion price. The conversion price will not exceed the initial conversion price of (Yen)1,357,559.2 nor be below (Yen)696,878.5 unless certain events or circumstance, as defined, arise after the issuance of Class 2 Preferred Stock shares.

Class 2 Preferred Stock shares which are not converted at the option of the shareholders will be mandatorily converted into common stock on August 1, 2008, at the conversion price determined based on the average market closing price of the common stock traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of mandatory conversion. In the event that the average market closing price is below the (Yen)714,285.0, the conversion price will be (Yen)714,285.0.

During the fiscal year ended at March 31, 2003, MTFG issued 489,694 of new shares of common stock at the price of (Yen)475,000 per share. As a result of the issuance of new shares of common stock, the initial conversion price of Class 2 Preferred Stock has been adjusted from (Yen)1,391,428.0 to (Yen)1,357,559.2, and the upper limit and the lower limit of the conversion price that will be revised annually has been adjusted from (Yen)1,391,428.0 to

(Yen)1,357,559.2 and from (Yen)714,285.0 to (Yen)696,898.5, respectively.

On July 10, 2003, MTFG announced that, pursuant to the terms and conditions of Class 2 Preferred Stock provided in the Articles of Incorporation, the conversion price of the Class 2 Preferred Stock has been reset from (Yen)1,357,559.2 to (Yen)696,898.5 reflecting the low average market price of MTFG's common stock during the period before July 10, 2003. The reset conversion price is effective from August 1, 2003 to July 31, 2004.

On July 9, 2004, MTFG announced that, pursuant to the terms and conditions of Class 2 Preferred Stock provided in the Articles of Incorporation, the conversion price of the Class 2 Preferred Stock has been reset from (Yen)696,898.5 to (Yen)971,415.0 reflecting the high average market price of MTFG's common stock during the period before July 9, 2004. The reset conversion price is effective on and after August 1, 2004.

For the fiscal year ended March 31, 2004, 85,000 shares of Class 2 Preferred Stock were converted into 243,938 shares of common stock at the option of the shareholders and the outstanding Class 2 Preferred Stock was 15,000 shares at March 31, 2004.

As a consequence of the conversion Class 2 Preferred Stock decreased by (Yen)85,000 million from (Yen)100,000 million at March 31, 2003 to (Yen)15,000 million at March 31, 2004 and common stock increased by (Yen)85,000 million from (Yen)984,708 million at March 31, 2003 to (Yen)1,069,708 million at March 31, 2004.

For the fiscal years ended March 31, 2003 and 2004, Class 2 Preferred Stock was determined to be dilutive securities and was included in the computation of diluted earnings per common share.

Class 3 Preferred Stock

Class 3 Preferred Stock is redeemable at the option of MTFG. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed (Yen)250,000 per share), and redemption terms, including a redemption price. No shares of the Class 3 Preferred Stock were issued and outstanding at March 31, 2003 and 2004.

Class 4 Preferred Stock

Class 4 Preferred Stock is convertible into common stock at the option of preferred stock shareholders during the conversion period. The conversion is mandatory required on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed (Yen)125,000 per share), and conversion terms, including the conversion period. No shares of the Class 4 Preferred Stock were issued and outstanding at March 31, 2003 and 2004.

MTFG may, at any time, repurchase and retire, at fair value, any Classes of Preferred Stock out of earnings available for distribution to shareholders.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

19. COMMON STOCK AND CAPITAL SURPLUS

The changes in the number of issued shares of common stock during the fiscal years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003
		(shares)
Balance at beginning of fiscal year	5,587,068	5,742,468
Issuance of new shares of common stock	--	489,694
Issuance of new shares of common stock in exchange for the shares of NTB	155,400	--
Issuance of new shares of common stock in exchange for the shares of Class 2 Preferred Stock	--	--
Balance at end of fiscal year	5,742,468	6,232,162

Under the Code, issuances of common stock, including conversions of bonds and notes, are required to be credited to the common stock account for at least 50% of the proceeds and to the legal capital surplus account ("legal capital surplus") for the remaining amounts.

The Code permits Japanese companies, upon approval by the Board of Directors, to issue shares in the form of a "stock split," as defined in the Code (see Note 1). Also, the Code prior to April 1, 1991 permitted Japanese companies to issue free share distributions. BTM and Mitsubishi Trust from time to time made free share distributions. These free distributions usually were from 5% to 10% of outstanding common stock and publicly-owned corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing the appropriate capital accounts by an amount equal to the fair value of the shares issued. The application of such United States accounting practice to the cumulative free distributions made by BTM and Mitsubishi Trust at March 31, 2004, would have increased capital accounts by (Yen)1,910,106 million with a corresponding decrease in unappropriated retained earnings. MTFG did not issue shares in the form of "stock split" in any of three years in the period ended March 31, 2004.

The Code permits, upon approval of the Board of Directors, the transfer of amounts from the legal capital surplus to the capital stock account.

The Code, as amended effective on October 1, 2001 (the "Code Amendments") permits Japanese companies to effect purchases of their own shares pursuant to a resolution by the shareholders at an annual general meeting until the conclusion of the following ordinary general meeting of shareholders, and to hold such shares as its treasury shares indefinitely regardless of purpose. However, the Code requires the amount of treasury stock purchased be within the amount of retained earnings available for dividends. Disposition of treasury stock is subject to the approval of the Board of Directors and is to follow the procedures similar to a public offering of shares for subscription. Prior to

the amendment, in principle, reacquisition of treasury shares was prohibited with the exception of reacquisition for retirement and certain limited purposes, as specified by the Code. Any treasury shares were required to be disposed of in the near term.

Parent Company Shares Held by Subsidiaries

At March 31, 2004, certain subsidiaries owned shares of common stock of MTFG. Such shares are included in treasury stock in the accompanying consolidated balance sheets and deducted from MTFG's shareholders' equity. For the fiscal year ended March 31, 2003, MTFG shares held by BTM were written down for tax purposes. The tax consequence of such write-down was treated as a capital transaction and credited to capital surplus.

20. RETAINED EARNINGS, LEGAL RESERVE AND DIVIDENDS

In addition to the Code, Japanese banks, including BTM and Mitsubishi Trust, are required to comply with the Banking Law of Japan (the "Banking Law").

Legal Reserve Set Aside as Appropriation of Retained Earnings and Legal Capital Surplus

Under the Code

Effective October 1, 2001, the Code Amendments provide that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 25% of stated capital as defined in the Code.

Prior to the Code Amendments, the Code provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of common stock. The retained earnings so appropriated may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to capital stock by resolution of the Board of Directors.

Under the Banking Law

In line with the Code Amendments, on June 29, 2001, amendments to the Banking Law (the "Banking Law Amendments") were promulgated and became effective on October 1, 2001. The Banking Law Amendments provide that an amount at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 100% of stated capital as defined in the Code.

Prior to the Banking Law Amendments, the Banking Law provided that an amount at

least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of stated capital as defined in the Code. The retained earnings so appropriated may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to capital stock by resolution of the Board of Directors.

Transfer of Legal Reserve

Under the Code Amendments

Effective October 1, 2001, under the Code Amendments, Japanese companies, including MTFG, are permitted, pursuant to a resolution by the shareholders at a general meeting, to make legal reserve set aside as appropriation of retained earnings and legal capital surplus available for dividends until the aggregate amount of the legal reserve and legal capital surplus equals 25% of stated capital as defined in the Code, which were formerly permitted only to reduce deficit and to transfer to stated capital as defined in the Code.

Under the Banking Law Amendments

Effective October 1, 2001, under the Banking Law Amendments, Japanese banks, including BTM and Mitsubishi Trust, are permitted, pursuant to a resolution by the shareholders at a general meeting, to make legal reserve set

aside as appropriation of retained earnings and legal capital surplus available for dividends until the aggregate amount of the legal reserve and legal capital surplus equals 100% of stated capital as defined in the Code.

The Code permits the transfer, upon approval of the shareholders, of a portion of unappropriated retained earnings available for dividends to stated capital as defined in the Code.

Unappropriated Retained Earnings and Dividends

Under the Code, the amount available for dividends is based on the amount recorded in MTFG's general books of account maintained in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). The adjustments included in the accompanying consolidated financial statements but not recorded in MTFG's general books of account as explained in Note 1 have no effect on the determination of retained earnings available for dividends under the Code. In addition to the provision that requires an appropriation for legal reserve as described above, the Code and the Banking Law impose certain limitations on the amount available for dividends. Under the Banking Law, MTFG, BTM and Mitsubishi Trust have to meet the minimum capital adequacy requirements and distributions of retained earnings of MTFG, BTM and Mitsubishi Trust, which are otherwise distributable to shareholders, are restricted in order to maintain the minimum 4.0% Tier I capital for capital adequacy purpose.

MTFG was established on April 2, 2001 with common stock of (Yen)924,400 million, preferred stock of (Yen)222,100 million, legal capital surplus of (Yen)2,838,693 million and no retained earnings in accordance with the Code and accounting principles generally accepted in Japan.

MTFG's amount available for dividends, as of March 31, 2004, is (Yen)674,250 million, which is based on the amount recorded in MTFG's general books of account under Japanese GAAP. MTFG's amount available for dividends increased by (Yen)31,241 million compared with (Yen)643,009 million as of March 31, 2003.

Annual dividends, including those for preferred stock, are approved by the shareholders at an annual general meeting held subsequent to the fiscal year to which the dividends are applicable. In addition, a semi-annual interim dividend payment may be made by resolution of the Board of Directors, subject to limitations imposed by the Code and the Banking Law.

In the accompanying consolidated statements of shareholders' equity, dividends and appropriations to legal reserve shown for each fiscal year represent dividends approved and paid during the fiscal year and the related appropriation to legal reserve.

21. REGULATORY CAPITAL REQUIREMENTS

Japan

MTFG, BTM and Mitsubishi Trust are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which they operate. Failure to meet minimum capital requirements will initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on MTFG's consolidated financial statements.

In Japan, MTFG, BTM, and Mitsubishi Trust are subject to regulatory capital requirements administered by the FSA in accordance with the provisions of the Banking Law and related regulations. A banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary

under the control of another company. When a bank holding company manages operations of its banking subsidiaries, it is required to maintain the minimum capital adequacy ratio on a consolidated basis in the same manner as its subsidiary banks. The FSA provides two sets of capital adequacy guidelines. One is a set of guidelines applicable to Japanese banks and bank holding companies with foreign offices conducting international operations, as defined, and the other is applicable to Japanese banks and bank holding companies that are not engaged in international operations.

Under the capital adequacy guidelines applicable to a Japanese banking institution with international operations conducted by foreign offices, the minimum target capital ratio of 8.0% is required. The capital adequacy guidelines adopt the approach of risk-weighted capital measure based on the framework developed and proposed by the Basel Committee on Banking Supervision of the Bank for International Settlements and involve quantitative credit measures of the assets and certain off-balance-sheet items as calculated under accounting principles generally accepted in Japan. The MTFG Group's proprietary assets do not include trust assets under management and administration in a capacity of agent or fiduciary and, accordingly trust account assets are generally not included in the capital measure. However, guarantees for trust

principal are counted as off-balance-sheet items requiring a capital charge in accordance with the capital adequacy guidelines. Also, a banking institution engaged in certain qualified trading activities, as defined, is required to calculate an additional capital charge for market risk using either the institution's own internal risk measurement model or a standardized process proposed and defined by the Bank for International Settlements. Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I generally consists of shareholders' equity (including common stock, preferred stock, capital surplus, minority interests and retained earnings) less any recorded goodwill. Tier II generally consists of general reserves for credit losses up to 1.25% of risk-weighted assets, 45% of the unrealized gains on investment securities available for sale, 45% of the land revaluation excess, the balance of perpetual subordinated debt and the balance of subordinated term debt with an original maturity of over five years subject to some limitations, up to 50% of Tier I capital. Preferred stocks are includable in Tier I capital unless the preferred stocks have a fixed maturity, in which case, such preferred stocks will be components of Tier II capital. Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

If a banking institution is not engaged in international operations conducted by foreign offices, it is subject to the other set of capital adequacy requirements with a minimum target capital ratio of 4.0%. Such guidelines incorporate measures of risk under the risk-weighted approach similar to the guidelines applicable to banking institutions with international operations. Qualifying capital is classified into Tier I and Tier II capital.

The Banking Law and related regulations require that one of three categories be assigned to banks and bank holding companies, based on its risk-adjusted capital adequacy ratio if the bank fails to meet the minimum target capital adequacy ratio. These categories indicate capital deterioration, which may be subject to certain prompt corrective action by the FSA.

MTFG, BTM and Mitsubishi Trust have international operations conducted by foreign offices, as defined, and are subject to the 8.0% capital adequacy requirement. For the purpose of calculating the additional charge for market risk, MTFG, BTM and Mitsubishi Trust have adopted the internal risk measurement model approach for general market risk calculations.

The risk-adjusted capital amounts and ratios of MTFG, BTM and Mitsubishi Trust presented in the following table are based on amounts calculated in accordance with accounting principles generally accepted in Japan as required by the FSA.

	Actual		For capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
	(in millions except percentages)			

Consolidated:					
At March 31, 2003:					
Total capital (to risk-weighted assets):					
MTFG	(Yen)5,968,401	10.84%	(Yen)4,403,971	8.00%	
BTM	4,687,703	10.43	3,592,242	8.00	
Mitsubishi Trust	1,237,273	12.00	824,583	8.00	
Tier I capital (to risk-weighted assets):					
MTFG	3,128,681	5.68	2,201,985	4.00	
BTM	2,400,251	5.34	1,796,121	4.00	
Mitsubishi Trust	686,719	6.66	412,291	4.00	
At March 31, 2004:					
Total capital (to risk-weighted assets):					
MTFG	(Yen)6,992,757	12.95%	(Yen)4,319,742	8.00%	
BTM	5,279,586	11.97	3,527,511	8.00	
Mitsubishi Trust	1,520,957	15.03	809,370	8.00	
Tier I capital (to risk-weighted assets):					
MTFG	3,859,428	7.14	2,159,871	4.00	
BTM	2,876,007	6.52	1,763,756	4.00	
Mitsubishi Trust	785,997	7.76	404,685	4.00	
Stand-alone:					
At March 31, 2003:					
Total capital (to risk-weighted assets):					
BTM	(Yen)3,979,265	10.24%	(Yen)3,107,780	8.00%	
Mitsubishi Trust	1,242,201	11.23	884,313	8.00	
Tier I capital (to risk-weighted assets):					
BTM	1,991,981	5.12	1,553,890	4.00	
Mitsubishi Trust	681,916	6.16	442,157	4.00	
At March 31, 2004:					
Total capital (to risk-weighted assets):					
BTM	(Yen)4,677,718	12.18%	(Yen)3,070,027	8.00%	
Mitsubishi Trust	1,512,477	15.16	797,631	8.00	
Tier I capital (to risk-weighted assets):					
BTM	2,437,541	6.35	1,535,014	4.00	
Mitsubishi Trust	776,068	7.78	398,816	4.00	

The MTFG Group has securities subsidiaries in Japan and overseas, which are also subject to regulatory capital requirements. In Japan, the Securities and Exchange Law and related ordinance require securities firms to maintain a minimum capital ratio of 120% calculated as a percentage of capital accounts less certain fixed assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which details the definition of essential components of the capital ratios, including capital, deductible fixed asset items and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of 100% or less may lead to a suspension of all or part of

the business for a period of time and cancellation of a license. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries or jurisdictions in which they operate.

Management believes, as of March 31, 2004, that MTFG, BTM, Mitsubishi Trust and

other regulated securities subsidiaries meet all capital adequacy requirements to which they are subject.

United States of America

In the United States of America, UnionBanCal Corporation ("UNBC") and its banking subsidiary Union Bank of California, N.A. ("UBOC"), BTM's largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by U.S. Federal banking agencies, including minimum capital requirements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, UNBC and UBOC must meet specific capital guidelines that involve quantitative measures of UNBC's and UBOC's assets, liabilities, and certain off-balance-sheet items as calculated under U.S. regulatory accounting practices. UNBC's and UBOC's capital amounts and UBOC's prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require UNBC and UBOC to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to quarterly average assets (as defined).

UNBC's and the UBOC's actual capital amounts and ratios are presented as follows:

	Actual		For capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
	(in millions, except percentages)			
UNBC:				
At December 31, 2002:				
Total capital (to risk-weighted assets)	$4,241	12.93%	$2,625	8.00%
Tier I capital (to risk-weighted assets)	3,667	11.18	1,312	4.00
Tier I capital (to quarterly average assets)	3,667	9.75	1,504	4.00
At December 31, 2003:				
Total capital (to risk-weighted assets)	$4,684	14.14%	$2,651	8.00%
Tier I capital (to risk-weighted assets)	3,748	11.31	1,325	4.00
Tier I capital (to quarterly average assets)	3,748	9.03	1,660	4.00

	Actual		For capital adequacy purposes		Ratios requires "well ca
	Amount	Ratio	Amount	Ratio	Amount
	(in millions, except percentages)				
UBOC:					
At December 31, 2002:					
Total capital (to risk-weighted assets)	$3,819	11.87%	$2,573	8.00%	$3,216
Tier I capital (to risk-weighted assets)	3,335	10.37	1,286	4.00	1,930
Tier I capital (to quarterly average assets)	3,335	9.01	1,481	4.00	1,851
At December 31, 2003:					

Total capital (to risk-weighted assets).....	$3,863	11.88%	$2,602	8.00%	$3,253
Tier I capital (to risk-weighted assets).....	3,396	10.44	1,301	4.00	1,952
Tier I capital (to quarterly average assets).....	3,396	8.30	1,637	4.00	2,046

Management believes, as of December 31, 2003, that UNBC and UBOC met all capital adequacy requirements to which they are subject.

As of December 31, 2002 and 2003, the most recent notification from the U.S. Office of the Comptroller of the Currency ("OCC") categorized UBOC as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," UBOC must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed UBOC's category.

22. EARNINGS (LOSS) PER COMMON SHARE

Reconciliations of net income (loss) and weighted average number of common shares outstanding used for the computation of basic earnings (loss) per common share to the adjusted amounts for the computation of diluted earnings (loss) per common share for the fiscal years ended March 31, 2002, 2003 and 2004 were as follows:

		2002
Income (Numerator):		
Income (loss) from continuing operations before cumulative effect of a change in accounting principle.....	(Yen)	(223,636)
Income (loss) from discontinued operations.....		1,235
Cumulative effect of a change in accounting principle.....		5,867
Net income (loss).....		(216,534)
Income allocable to preferred shareholders.....		(4,168)
Income (loss) available to common shareholders.....	(Yen)	(220,702)
Effect of dilutive securities:		
Convertible preferred stock (Class 2).....	(Yen)	--
3% Exchangeable Guaranteed Notes redeemed on November 30, 2002.....		--
Convertible debt--Mitsubishi Securities.....		--
Stock option--Mitsubishi Securities		--
Stock option--UnionBanCal Corporation.....		--
Income (loss) available to common shareholders and assumed conversions.....	(Yen)	(220,702)

	2002
	(tho

Shares (Denominator):	
Weighted average common shares outstanding	5,555
Effect of dilutive securities:	
Convertible preferred stock (Class 2)	--
3% Exchangeable Guaranteed Notes redeemed on November 30, 2002	--
Weighted average common shares for diluted computation	5,555

	2002
Amounts per share:	
Basic earnings (loss) per common share:	
Income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen) (41,011
Income (loss) from discontinued operations	22
Income (loss) available to common shareholders before cumulative effect of a change in accounting principle	(40,78
Cumulative effect of a change in accounting principle	1,05
Net income (loss) available to common shareholders	(Yen) (39,733
Diluted earnings (loss) per common share:	
Income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen) (41,011
Income (loss) from discontinued operations	22
Income (loss) available to common shareholders before cumulative effect of a change in accounting principle	(40,78
Cumulative effect of a change in accounting principle	1,05
Net income (loss) available to common shareholders	(Yen) (39,733

	2004
Amounts per share:	
Basic earnings (loss) per common share:	
Income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen)128,323.
Income (loss) from discontinued operations	(92.

Income (loss) available to common shareholders before cumulative effect of a change in accounting principle	128,231.
Cumulative effect of a change in accounting principle	
Net income (loss) available to common shareholders	(Yen)128,231.
Diluted earnings (loss) per common share:	
Income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Yen)125,006.
Income (loss) from discontinued operations	(89.
Income (loss) available to common shareholders before cumulative effect of a change in accounting principle	124,917.
Cumulative effect of a change in accounting principle	
Net income (loss) available to common shareholders	(Yen)124,917.

For the fiscal year ended March 31, 2002, 3% Exchangeable Guaranteed Notes due 2002 and Class 2 Preferred Stock could have potentially diluted earnings per common share but were not included in the computation of diluted earnings per common share due to their antidilutive effects. For the fiscal year ended March 31, 2003,
Class 2 Preferred Stock and 3% Exchangeable Guaranteed Notes due 2002 that had been redeemed in November 2002 were included in the computation of diluted earnings per common share. For the fiscal year ended March 31, 2004, Class 2 Preferred Stock, convertible securities and stock options issued by the subsidiaries that could potentially dilute earnings per common share in the future were included in the computation of earnings per common share. The convertible securities are 11/4% Convertible Bonds due 2013 and 1/4% Convertible Bonds due 2014 issued by Mitsubishi Securities. The stock options are based on the stock-based compensation plans of Mitsubishi Securities and UNBC.

In computing the number of the dilutive potential common shares for the fiscal year ended March 31, 2003 and 2004, Class 2 Preferred Stock has been based at the conversion price as of year-end (i.e., (Yen)1,357,559.2 and (Yen)696,898.5, respectively).

Subsequent to March 31, 2004, MTFG has reset the conversion price of Class 2 Preferred Stock from (Yen)696,898.5 to (Yen)971,415 as described in Note 18. Based on the reset conversion price of (Yen)971,415 for the fiscal year ended March 31, 2004, the effect of dilutive convertible preferred stock (Class 2) would be 154 thousand shares and weighted average common shares for the diluted computation would be 6,504 thousand shares. Based on the reset conversion price, the amounts in each column of diluted earnings per common share is as follows:

-	--
Diluted earnings per common share:	
Income from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(Y
Loss from discontinued operations	--

Income available to common shareholders before cumulative effect of a change in accounting principle	
Cumulative effect of a change in accounting principle	
Net income available to common shareholders	(Y

23. DERIVATIVE FINANCIAL INSTRUMENTS

The MTFG Group uses various derivative financial instruments both for trading purposes and for purposes other than trading (primarily risk management purposes) in the normal course of business to meet the financial needs of its customers, as a source of revenue and to manage its exposures to a variety of risks. The MTFG Group is a party to derivatives, including swaps, forwards, options and other types of derivatives, dealing primarily with market risk associated with interest rate, foreign currency, equity and commodity prices, and credit risk associated with counterparty's nonperformance of transactions.

Market risk is the possibility that future changes in market indices make the financial instruments less valuable. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract, which may exceed the value of underlying collateral. To reduce credit risk, the MTFG Group may require collateral or guaranties based on a case-by-case assessment of creditworthiness of each customer and evaluation of the instrument. The MTFG Group also uses master netting agreements in order to mitigate overall counterparty credit risk.

Trading Activities

The MTFG Group's trading activities include dealing and other activities measured at fair value with gains and losses recognized currently in earnings. As part of its trading activities, the MTFG Group offers a variety of derivative financial instruments and debt instruments for managing interest rate and foreign exchange risk to its domestic and foreign corporate and financial institution customers. The MTFG Group also enters into other types of derivative transactions, including equity and credit-related contracts, for its own account.

Risk Management Activities

As part of risk management activities, the MTFG Group uses certain derivative financial instruments to manage its interest rate and currency exposures. The MTFG Group maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The MTFG Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to

substantially offset this unrealized appreciation or depreciation. Interest income and interest expense on hedged variable-rate assets and liabilities, respectively, increase or decrease as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings.

The MTFG Group enters into interest rate swaps and other contracts as part of its interest rate risk management strategy primarily to alter the interest rate sensitivity of its loans, investment securities and deposit liabilities. The MTFG Group's principal objectives in risk management include asset and liability management. Asset and liability management is viewed as one of the methods for the MTFG Group to manage its interest rate exposures on interest-bearing assets and liabilities. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the MTFG Group to effectively manage its interest rate risk position. Option contracts primarily consist of caps, floors, swaptions and options on index futures. Futures contracts used for asset and liability management activities are primarily index futures providing for cash payments based upon the movement of an underlying rate index. The MTFG Group enters into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance-sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level.

The risk management activities reduce the MTFG Group's risk exposures economically, however, derivatives used for the risk management activities often fail to meet certain conditions to qualify for hedge accounting and the MTFG Group accounts for such derivatives as trading positions.

For the fiscal years ended March 31, 2003 and 2004, except for derivative transactions conducted by certain foreign subsidiaries, the MTFG Group accounts for derivatives held for risk management purposes as trading positions and measured them at fair value.

Embedded Derivatives

Derivative features embedded in other non-derivative host contracts are separated from the host contracts and measured at fair value when they are not clearly and closely related to the host contract and meet the definition of a derivative. The change in the fair value of such an embedded derivative is recognized currently in earnings, unless it is qualified as a hedge. The carrying amount is reported on the consolidated balance sheet with the host contract. The MTFG Group accounts for credit-linked notes as host contracts with embedded derivatives and measures the entire contracts at fair value.

UnionBanCal Corporation ("UNBC")

Derivative positions are integral components of the UNBC's designated asset and liability management activities. UNBC uses interest rate derivatives to manage the sensitivity of the UNBC's net interest income to changes in interest rates. These instruments are used to manage interest rate risk relating to specified groups of assets and liabilities, primarily LIBOR-based commercial loans,

certificates of deposit, trust notes, medium-term notes and subordinated debt.

Cash Flow Hedges--Hedging Strategies for Variable Rate Loans and Certificates of Deposit

UNBC engages in several types of cash flow hedging strategies for which the hedged transactions are forecasted future loan interest payments, and the hedged risk is the variability in those payments due to changes in the designated benchmark rate, e.g., US dollar LIBOR. In these strategies, the hedging instruments are matched with groups of variable rate loans such that the tenor of the variable rate loans and that of the hedging instrument is identical. Cash flow hedging strategies include the utilization of purchased floor, cap, corridor options and interest rate swaps. At December 31, 2003, the weighted average life of these cash flow hedges is approximately 1.5 years.

UNBC uses purchased interest rate floors to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Payments received under the floor contract offset the decline in loan interest income caused by the relevant LIBOR index falling below the floor's strike rate.

UNBC uses interest rate floor corridors to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Net payments to be received under the floor corridor contracts offset the decline in loan interest income caused by the relevant LIBOR index falling below the corridor's upper strike rate, but only to the extent the index falls to the lower strike rate. The corridor will not provide protection from declines in the relevant LIBOR index to the extent it falls below the corridor's lower strike rate.

UNBC uses interest rate collars to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Net payments to be received under the collar contracts offset the decline in loan interest income caused by the relevant LIBOR index falling below the collar's strike rate while net payments to be paid will reduce the increase in loan interest income caused by the LIBOR index rising above the collar's cap strike rate.

UNBC uses interest rate swaps to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Payments to be received (or paid) under the swap contracts will offset the fluctuations in loan interest income caused by changes in the relevant LIBOR index. As such, these instruments hedge all fluctuations in the loans' interest income caused by changes in the relevant LIBOR index.

UNBC uses purchased interest rate caps to hedge the variable interest cash flows associated with the forecasted issuance and rollover of short-term, fixed rate negotiable certificates of deposit (CD). In these hedging relationships, UNBC hedges the LIBOR component of the CD rates, which is either 3-month LIBOR or 6-month LIBOR, based on the CDs' original term to maturity, which reflects their repricing frequency. Net payments to be received under the cap contract offset the increase in interest expense caused by the relevant LIBOR index rising above the cap's strike rate.

UNBC uses interest rate cap corridors to hedge the variable cash flows associated with the forecasted issuance and roll-over of short-term, fixed

rate, negotiable CDs. In these hedging relationships, UNBC hedges the LIBOR component of the CD rates, either 1-month LIBOR, 3-month LIBOR, or 6-month LIBOR, based on the original term to maturity of the CDs, which reflects their repricing frequency. Net payments to be received under the cap corridor contracts offset the increase in deposit interest expense caused by the relevant LIBOR index rising above the corridor's lower strike rate, but only to the extent the index rises to the upper strike rate. The corridor will not provide protection from increases in the relevant LIBOR index to the extent it rises above the corridor's upper strike rate.

Hedging transactions are structured at inception so that the notional amounts of the hedge are matched with an equal principal amount of loans or CDs, the index and repricing frequencies of the hedge matches those of the loans or CDs, and the period in which the designated hedged cash flows occurs is equal to the term of the hedge. As such, most of the ineffectiveness in the hedging relationship results from the mismatch between the timing of reset dates on the hedge versus those of the loans or CDs. In 2003, UNBC recognized a net gain of $0.5 million due to ineffectiveness, which is recognized in Non-interest expense, compared to a net gain of $0.4 million in 2002.

For cash flow hedges, based upon amounts included in accumulated other comprehensive income at March 31, 2004, the MTFG Group expects to include approximately (Yen)2.7 billion in net interest income for the fiscal year ending March 31, 2005. This amount could differ from amounts actually realized due to changes in interest rates and the addition of other hedges subsequent to March 31, 2004.

Fair Value Hedges--Hedging Strategy for Mandatorily Redeemable Preferred Securities of Subsidiary Grantor Trust

UNBC engages in an interest rate hedging strategy in which an interest rate swap is associated with a specific interest bearing liability, Mandatorily Redeemable Preferred Securities of Subsidiary Grantor Trust ("Trust Preferred Securities"), in order to convert the liability from a fixed rate to a floating rate instrument. This strategy mitigates the changes in fair value of the hedged liability caused by changes in the designated benchmark interest rate, US dollar LIBOR. Fair value hedging transactions are structured at inception so that the notional amounts of the swap match an associated principal amount of the Trust Preferred Securities. The interest payment dates, the expiration date, and the embedded call option of the swap match those of the Trust Preferred Securities. The ineffectiveness on the fair value hedges during 2003 was a net loss of $0.1 million, compared to a net gain of $0.6 million in 2002.

24. OBLIGATIONS UNDER GUARANTEES AND OTHER OFF-BALANCE-SHEET INSTRUMENTS

Obligations under Guarantees

The MTFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protections, liquidity facilities, other off-balance- sheet credit-related supports and similar instruments, in order to meet the customers' financial and business needs. The table below summarizes the contractual or notional amounts with regard to obligations under guarantees and

similar arrangements at March 31, 2003 and 2004. The contractual or notional amounts of these instruments represent the maximum potential amounts of future payments without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

For certain types of derivatives, such as written interest rate options and written currency options, the maximum potential future payments are unlimited. Accordingly, it is impracticable to estimate such maximum potential amount of future payments. As such, the notional amounts of the related contracts, other than the maximum potential payments, are included in the table.

The MTFG Group mitigates credit risk exposure resulting from guarantees by utilizing various techniques, including collateralization in the form of cash, securities, and real properties based on management's credit assessment of the guaranteed parties and the related credit profile. In order to manage the credit risk exposure, the MTFG Group also enters into sub-participation contracts with third parties who will fund a portion of the credit facility and bear its share of the loss to be incurred in the event that the borrower fails to fulfill its obligations. The following table includes unfunded commitments of (Yen)70.9 billion and (Yen)112.1 billion, respectively, at March 31, 2003 and 2004, which are participated out to third parties. Contractual or notional amounts summarized in the following table may not necessarily bear any direct relationship to the future actual credit exposure, primarily because of those risk management techniques.

At March 31, 2003	Maximum potential/ Contractual or Notional amount	Amount by expiration: Less than 1 year	1-2 years	2-3 years
			(in billions)	
Standby letters of credit and financial guarantees	(Yen) 4,021	(Yen) 1,655	(Yen) 235	(Yen) 297
Performance guarantees	1,092	742	151	85
Liquidity facilities	1,361	1,361	--	--
Derivative instruments	29,054	23,839	1,359	1,228
Guarantees for the repayment of trust principal	2,411	531	740	567
Liabilities of trust accounts	3,078	2,819	7	2
Other	2	2	--	--
Total	(Yen)41,019	(Yen)30,949	(Yen)2,492	(Yen)2,179

	Maximum potential/ Contractual	Amount by expiration

At March 31, 2004	or Notional amount	Less than 1 year	1-2 years	2-3 years
			(in billions)	
Standby letters of credit and financial guarantees	(Yen) 2,747	(Yen) 1,074	(Yen) 201	(Yen) 164
Performance guarantees	1,213	662	199	128
Liquidity facilities	603	603	--	--
Derivative instruments	21,205	16,456	1,447	1,140
Guarantees for the repayment of trust principal	2,080	349	1,107	282
Liabilities of trust accounts	3,886	3,600	10	5
Other	309	309	--	--
Total	(Yen) 32,043	(Yen) 23,053	(Yen) 2,964	(Yen) 1,719

Nature of guarantee contracts

Standby letters of credit and financial guarantees generally include an obligation of an issuer or a designated third party to guarantee the performance of the customer to the beneficiary under the terms of contracts such as lending contracts and other similar financial transactions. The MTFG Group is required to make payments to the guaranteed parties in the events that the customers fail to fulfill the obligations under the contracts. The guarantees whose contractual maturities are over 5 years are mainly comprised of guarantees of housing loans.

Performance guarantees are the contracts that contingently require the MTFG Group to make payments to the guaranteed party based on another party's failure to perform under an obligating agreement, except financial obligation. For example, performance guarantees include guarantees of completion of construction projects.

Liquidity facilities may include a provision of guarantees of collection of contractual cash flows under an asset securitization structure, involving variable interest entities. Such guarantee provisions protect beneficiary of assets securitization from negative returns relating to shortfalls of cash collections on the underlying assets held by the securitization vehicle. See Note 25 for additional information on the MTFG Group's operations regarding variable interest entities.

Derivative instruments that are deemed to be included within the definition of guarantees as prescribed in FIN No. 45 include certain written options and credit default swaps. In order for the MTFG Group to determine if those derivative instruments meet the definition of guarantees as prescribed in FIN No. 45, the MTFG Group has to track whether the counterparties are actually exposed to the losses that will result from the adverse change in the underlyings. Accordingly, the MTFG Group has disclosed information on all credit default swaps and certain written options that have possibilities to meet the definition of guarantees as prescribed in FIN No. 45, regardless of whether the counterparties have assets or liabilities related to the underlyings of the derivatives.

Guarantees for the repayment of trust principal include guarantees which the MTFG Group provides for the repayment of principal of certain types of trust products, including certain jointly operated designated money in trusts and loan trusts. The MTFG Group manages and administers trust assets in a capacity of agent or fiduciary on behalf of its customers and trust assets are segregated from the assets of the MTFG Group, who keeps records for the trust activities separately. The MTFG Group, in principle, does not assume any risks

associated with the trust assets under management, however, as permitted by applicable laws, the MTFG Group provides guarantees for the repayment of principal of such trust products. At March 31, 2003 and 2004, the contract amounts of such guarantees for repayment of trust principal were (Yen)2,411 billion and (Yen)2,080 billion, respectively. The accounting methods used for the segregated records of trust activities are different from financial accounting principles and

practices. However, the MTFG Group follows an approach similar to those used for its own assets to identify an impairment of an asset included in the trusts with guaranteed principal, with inherent variations peculiar to trust accounting. Amounts of loans deemed to be impaired are written off directly and are charged to the trust account profits earned during the trust accounting period. Write-downs of securities are also directly charged to the trust account profits. The amounts of trust assets written-off in the segregated records were (Yen)5,740 million and (Yen)9,406 million, respectively, for the fiscal years ended March 31, 2003 and 2004. These amounts of write-offs were reflected in the segregated records as deductions before net profits earned by trust accounts for the accounting period. In addition, part of trust account profits are set aside as a reserve to absorb losses in the trust asset portfolios in the segregated records in accordance with relevant legislation concerning the trust business and/or trust agreements. Statutory reserves for loan trusts are established at a rate of 4.0% of the trust fees up to the amounts of 0.5% of the trust principal in accordance with the legislation. Reserves for jointly operated designated money in trusts are established at a rate of 0.3% of the balance of loans and other assets in the trust account assets in accordance with the related trust agreement. The amounts of such reserves set aside in the segregated records were (Yen)9,427 million and (Yen)6,934 million, respectively, at March 31, 2003 and 2004. The MTFG Group is required to provide an allowance for off-balance-sheet instruments on such guarantees in the financial statements only when aggregate losses on trust assets are judged to exceed the reserve and the profit earned by the trust account, and the principal is deemed to be impaired. Management believes that the MTFG Group will not incur any losses on the guarantees.

Liabilities of trust accounts represent the trustee's potential responsibility for temporary payments to creditors of liabilities of trust accounts making use of funds of the MTFG Group, except for the certain trust agreements that have provisions limiting the MTFG Group's responsibility as a trustee to the trust account assets. A trust may incur external liabilities to finance its activities and obtain certain services during the terms of the trust arrangement. While, in principle, any liabilities of a trust are payable by the trust account and its beneficiaries, a trustee's responsibility may be interpreted to encompass temporary payments for the trust account liabilities when the trust account has insufficient liquidity available for such liabilities. At March 31, 2003 and 2004, there were liabilities of (Yen)3,078 billion and (Yen)3,886 billion, respectively, in the segregated records of trust accounts including the amounts related to liabilities with provisions limiting of trustee responsibility. Liabilities of trust accounts principally included obligations to return collateral under security lending transactions. The MTFG Group has experienced no significant losses on such responsibilities and its exposure to the risk associated with the temporary payments is judged to be remote because trust account liabilities are covered by the corresponding trust account assets generally; the MTFG Group continuously monitors the

liabilities of trust accounts and assesses the trust account's ability to perform its obligations to prevent any unfavorable outcomes; and the MTFG Group claims its recourse for its temporary payments against the trust account assets and the beneficiaries.

Other includes contingent consideration agreements and security lending indemnifications. Contingent consideration agreements provide guarantees on additional payments to acquired insurance agencies' shareholders based on the agencies' future performance in excess of established revenue and/or earnings before interest, taxes, depreciation and amortization thresholds. Security lending indemnifications are the indemnifications for institutional customers of securities lending transactions against counterparty default. All lending transactions are collateralized, primarily by cash.

Carrying amount

At March 31, 2003 and 2004, the carrying amounts of the liabilities related to guarantees and similar instruments set forth above were (Yen)211,058 million and (Yen)240,465 million, respectively, which are included in Other liabilities and Trading account liabilities. In addition, Other liabilities also include an allowance for off-balance-sheet instruments of (Yen)62,840 million and (Yen)86,688 million, respectively, related to these transactions.

Other Off-Balance-Sheet Instruments

In addition to obligations under guarantees set forth above, the MTFG Group issues other off-balance-sheet instruments for purposes other than trading. Such off-balance-sheet instruments consist of lending-related commitments, including commitments to extend credit and commercial letters of credit that the MTFG Group provides to meet the financing needs of its customers. Once the MTFG Group issues these financial instruments, the MTFG Group is required to extend credit to or make certain payments to the customers or beneficiaries specified pursuant to the underlying contracts unless otherwise provided in the contracts. Since many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At March 31, 2004, approximately 76% of these commitments will expire within one year, 22% from one year to five years and 2% after five years. The table below summarizes the contractual amounts with regard to these commitments at March 31, 2003 and 2004.

	2003	2004
	(in billions)	
Commitments to extend credit....	(Yen)25,591	(Yen)25,610
Commercial letters of credit....	387	377
Resale and repurchase agreements	631	165
Securities lending transactions.	83	--
Commitments to make investments.	46	58

Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to customers. Commitments are different from guarantees in that the commitments are generally revocable or have provisions that enable the MTFG Group to avoid payments in the event of violations of any conditions of the contracts and certain deterioration of the potential borrowers' financial condition. Commitments to extend credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

Commercial letters of credit, used for facilitating trade transactions, are generally secured by underlying goods. The MTFG Group continually monitors the type and amount of collateral and other security, and requires counterparties to provide additional collateral or guarantors as necessary.

Repurchase and resale transactions are collateralized financing agreements. In a sale of securities or other financial instruments with agreement to repurchase them, the MTFG Group sells securities or other financial instruments at a stated price to a counterparty and agrees to repurchase identical financial instruments from the same counterparty at a later date at the predetermined price which reflect the principal amount and interest. In a purchase of securities or other financial instruments with agreement to resell them, the MTFG Group receives securities or other financial instruments for a stated price from a counterparty and agrees to sell them to the same counterparty at a later date at the predetermined price reflecting the principal amount and interest. When certain conditions specified in SFAS No. 140 are met, the MTFG Group accounts for resale agreements as purchase of financial instruments with related off-balance-sheet forward resale commitments and repurchase agreements as sale of financial instruments with related off-balance-sheet forward repurchase agreements. The MTFG Group bears the off-balance-sheet risk related to the forward resale and repurchase commitments, including credit risk and market risk.

Securities lending transactions involve the lending of securities borrowed from other financial institutions or customers' securities held in custody to third party borrowers. The MTFG Group generally obtains collateral from borrowers, including cash and securities, with similar fair value. The MTFG Group follows strict levels of collateralization governed by daily mark-to-market analyses and a review of the creditworthiness of borrowers to

control exposure to credit losses resulting from a reduction in the underlying collateral value and nonperformance by borrowers.

Commitments to make investments are legally binding contracts to make additional contributions to corporate recovery or private equity investment funds in accordance with limited partnership agreements. Some of these funds, in which the MTFG Group has significant variable interests, are described in Note 25.

Concentration of Credit Risk

Although the MTFG Group's portfolio of financial instruments, including on-balance-sheet instruments, is widely diversified along industry and geographic lines, a significant portion of the transactions with off-balance-sheet risk are entered into with other financial institutions.

25. VARIABLE INTEREST ENTITIES

A variable interest entity ("VIE") is defined as an entity with the following characteristics; (1) equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) providers of equity investment at risk lack significant decision making ability or do not absorb the expected losses or receive the expected residual returns. Variable interests in a variable interest entity are contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. An enterprise shall consolidate a variable interest entity if that enterprise has a variable interest that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected returns, or both. An enterprise that consolidates a VIE is referred to as the primary beneficiary.

In the normal course of its business, the MTFG Group is a party to various entities which may be deemed to be variable interest entities such as asset-backed commercial paper conduits, securitization of client properties, various investment funds and project finances.

Asset-backed Commercial Paper Conduits

The MTFG Group administers several third-party owned, multi-seller finance companies (primarily commercial paper conduits) that purchase financial assets, primarily pools of receivables, from third-party customers. Assets purchased by these conduits are generally funded by issuing commercial paper, or partly by borrowings from the MTFG Group or third parties. While customers basically continue to service the transferred trade receivables, the MTFG Group underwrites, distributes, makes a market in commercial paper issued by the conduits, and also provides liquidity and credit support facilities to the entities.

In accordance with the requirement to apply FIN No. 46 immediately to VIEs created after January 31, 2003, the MTFG Group consolidated commercial paper conduits with total assets of (Yen)129,001 million as of March 31, 2004. The consolidation did not have material impact on the MTFG Group's results of operations. In addition to such consolidated VIEs, the MTFG Group, as not deemed to be the primary beneficiary, had variable interests in certain other conduits with total assets of (Yen)372,175 million as of March 31, 2004, and is exposed to a maximum loss of (Yen)32,131 million, excluding older entities created before February 1, 2003, set out below.

It is expected that MTFG would be required to consolidate additional conduits as FIN No. 46R becomes effective to older entities in the fiscal year ending March 31, 2005. Total assets of older entities expected to be consolidated upon adoption of FIN No.46R are estimated as (Yen)3,347,929 million and the MTFG Group's maximum exposure to loss as a result of its involvement with such conduits is estimated at (Yen)2,666,884 million.

Securitization of Client Properties

The MTFG Group administers several third-party owned conduits that purchase clients assets, primarily real estate, from third-party customers. Assets purchased by these conduits are generally funded by investments under partnership agreements from customers or by borrowings from the MTFG Group or third-parties. While customers basically continue to use the transferred real estate by lease-back agreements, the customers that invest in conduits absorb the expected losses of the conduits.

The MTFG Group, as a non-primary beneficiary, had variable interests in this type of VIEs, with total assets of (Yen)993,461 million as of March 31, 2004, and is exposed to a maximum loss of (Yen)244,117 million, excluding the older entities created before February 1, 2003, set out below.

It is expected that the MTFG Group would be required to consolidate additional entities as FIN No. 46R becomes effective to older entities in the fiscal year ending March 31, 2005. Total assets of older entities expected to be consolidated upon adoption of FIN No. 46R are estimated as (Yen)37,916 million and the MTFG Group's maximum exposure to loss as a result of its involvement with such funds is estimated at (Yen)37,916 million.

Investment Funds

The MTFG Group holds investments in various investment funds that collectively invest in equity and debt securities including listed Japanese securities and investment grade bonds, and, to a limited extent, securities and other interests issued by companies in a start-up or restructuring stage. Such investment funds are managed by investment advisory companies or fund management companies that make investment decisions and administer the funds.

In accordance with the requirement to apply FIN No. 46 immediately to VIEs created after January 31, 2003, the MTFG Group consolidated investment funds with total assets of (Yen)129,642 million as of March 31, 2004. The consolidation did not have material impact on the MTFG Group's results of operations. In addition to such consolidated VIEs, the MTFG Group, as a non-primary beneficiary, had variable interests in this type of VIEs, with total assets of (Yen)20,861,298 million as of March 31, 2004, and is exposed to a maximum loss of (Yen)574,886 million, excluding the older entities set out below.

It is expected that the MTFG Group would be required to consolidate additional investment funds as FIN No. 46R becomes effective in the fiscal year ending March 31, 2005. Total assets of older entities expected to be consolidated upon adoption of FIN No. 46R are estimated as (Yen)305,594 million and the MTFG Group's maximum exposure to loss as a result of its involvement with such funds is estimated at (Yen)282,942 million.

Special Purpose Entities Created for Structured Financing

The MTFG Group extends non-recourse asset-backed loans to special purpose entities, which hold beneficial interests in real properties, to provide financing for special purpose projects including real estate development and natural resource development managed by third parties. The MTFG Group generally acts as a member of a lending group and does not have any equity investment in the entities, which is typically provided by project owners. For most of these financings, the equity provided by the project owners is of sufficient level to absorb expected losses, while expected returns to the owners are arranged to be the most significant among all returns. Accordingly, the MTFG Group determined that the MTFG Group is not the primary beneficially of most of these entities. However, in transactions with entities whose investment at risk is exceptionally thin and the MTFG Group's share of financing is dominant, the MTFG Group is ultimately required to consolidate this type of entity.

The MTFG Group, as a non-primary beneficiary, had variable interests in this type of VIEs, with total assets of (Yen)10,903,504 million as of March 31, 2004, and is exposed to a maximum loss of (Yen)617,110 million, excluding the older entities created before February 1, 2003 set out below.

It is expected that the MTFG Group would be required to consolidate additional entities as FIN No. 46R becomes effective in the fiscal year ending March 31, 2005. Total assets of older entities expected to be consolidated upon

adoption of FIN No. 46R are estimated as (Yen)56,504 million and the MTFG Group's maximum exposure to loss as a result of its involvement with such funds is estimated at (Yen)33,065 million.

Trust Products

The MTFG Group offers a variety of trust products and manages and administers a wide range of trust arrangements including securities investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. In a typical trust arrangement, the MTFG Group manages and administers the assets on behalf of the customers in an agency, fiduciary and trust capacity. In principle, the MTFG Group does not assume risks associated with the entrusted assets, which are borne by the customers, although in limited cases the MTFG Group may assume risks through guarantees or certain protections as provided in the trust agreement. For most trust arrangements, expected returns and losses to be received and assumed by the customers depend on the performance and operations of the trusts. Generally, the expected returns are larger than the fees received by the MTFG Group. Accordingly, the MTFG Group expects that it will not ultimately be determined to be the primary beneficiary or that its interests in a trust arrangement will not be significant in most cases.

Repackaged Instruments

The MTFG Group repackages financial instruments to create new financial instruments with features that match the customer's needs and preferences. The MTFG Group purchases financial instruments such as bonds and transfers them to special purpose entities which then issue new instruments. The special purpose entities may enter into derivative transactions including interest rate and currency swaps with the MTFG Group or other financial institutions to modify the cash flows of the underlying financial instruments. The MTFG Group underwrites and markets to the MTFG Group's customers the new instruments issued by the special purpose entities.

In accordance with the requirement to apply FIN No. 46 immediately to VIEs created after January 31, 2003, the MTFG Group consolidated these special purpose entities with total assets of (Yen)96,895 million as of March 31, 2004. The consolidation did not have material impact on the MTFG Group's results of operations. In addition to such consolidated VIEs, the MTFG Group, as a non-primary beneficiary, had variable interests in this type of VIE, with total assets of (Yen)5,041,956 million as of March 31, 2004, and is exposed to a maximum loss of (Yen)296,346 million, excluding the older entities created before February 1, 2003, set out below.

It is expected that the MTFG Group would be required to consolidate additional

conduits as FIN No.46R become effective to older entities in the fiscal year ending March 31, 2005. Total assets of older entities expected to be consolidated upon adoption of FIN No.46R are estimated as (Yen)291,789 million and the MTFG Group's maximum exposure to loss as a result of its involvement with such conduits is estimated at (Yen)279,417 million.

Financing Vehicle

UNBC Finance Trust I ("grantor trust") is wholly owned by UNBC, a U.S. subsidiary of BTM and a public company. Prior to December 31, 2003, the grantor trust's notes and related investment in the grantor trust's notes were eliminated in consolidation and the preferred securities were reflected as a liability in the accompanying financial statements.
UNBC deconsolidated the grantor trust upon adoption of FIN No. 46 in UNBC's fiscal year ended December 31, 2003. The MTFG Group consolidated UNBC's financial statements as of December 31, 2003 in MTFG's fiscal year ended March 31, 2004. As a result, FIN No. 46 is partially applied to VIEs created before February 1, 2003 with regard to the grantor trust of UNBC in the MTFG's consolidated financial statements. The impact of this change in accounting principles was to increase other assets by (Yen)1,157 million and to reflect the full amount of the liability of the grantor trust's notes, which increased liabilities by (Yen)1,157 million.

Management is evaluating whether the MTFG Group shall deconsolidate similar financing vehicles as FIN No. 46R becomes effective to older entities in the fiscal year ending March 31, 2005.

Other Type of VIEs

The MTFG Group is also a party to other type of VIEs, such as special purpose entities created to hold assets on behalf of the MTFG Group as an intermediary. The MTFG Group, as a non-primary beneficiary, had variable interests in such VIEs, with total assets of (Yen)5,537 million as of March 31, 2004, and is exposed to a maximum loss of (Yen)4,380 million, excluding the older entities set out below.

It is expected that the MTFG Group would be required to consolidate additional entities as FIN No. 46R becomes effective to older entities in the fiscal year ending March 31, 2005. Total assets of older entities expected to be consolidated upon adoption of FIN No. 46R are estimated as (Yen)10,339 million and the MTFG Group's maximum exposure to loss as a result of its involvement with such VIEs is estimated at (Yen)11,441 million.

The MTFG Group has consolidated certain special purpose entities, which may be variable interest entities, under current accounting guidance. At March 31, 2004, total assets of such consolidated entities were immaterial. As the MTFG intends to continue assessing and analyzing the impact of FIN No. 46R for future and existing arrangements and interests in various entities. Such assessment and analysis may result in additional entities that will need to be consolidated or disclosed by the MTFG Group in the fiscal year ending March 31, 2005.

26. COMMITMENTS AND CONTINGENT LIABILITIES

The MTFG Group leases certain office space and equipment under noncancelable agreements expiring through the fiscal year 2015.

Future minimum rental commitments for noncancelable leases at March 31, 2004 were as follows:

	Capitalized leases	Operating leases
	(in millions)	
Fiscal year ending March 31:		
2005	(Yen)17,959	(Yen) 23,538
2006	14,480	22,325
2007	10,530	21,442
2008	5,023	18,696
2009	1,354	17,334
2010 and thereafter	2,981	56,458
Total minimum lease payments	52,327	(Yen)159,793
Amount representing interest	(1,812)	
Present value of minimum lease payments	(Yen)50,515	

Total rental expense for the fiscal years ended March 31, 2002, 2003 and 2004 was (Yen)47,610 million, (Yen)52,641 million and (Yen)51,798 million, respectively.

The MTFG Group is involved in various litigation matters. Managements, based upon their current knowledge and results of consultation with counsel, make appropriate level of litigation reserve. The amounts of the MTFG Group's liabilities when ultimately determined will not have a material adverse effect on the MTFG Group's results of operations and financial position.

27. FEES AND COMMISSIONS INCOME

Details of fees and commissions income for the fiscal years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	200
	(in millions)		
Trust fees	(Yen) 123,645	(Yen)103,803	(Yen) 9
Fees on funds transfer and service charges for collections	58,132	58,146	5
Fees and commissions on international business	53,469	54,537	5

Fees and commissions on credit card business.....	44,959	57,083	6
Service charges on deposits.....	29,791	34,626	3
Fees and commissions on securities business.....	52,689	68,020	9
Other fees and commissions.....	123,292	144,552	17
Total.....	(Yen)485,977	(Yen)520,767	(Yen)57

Trust fees consist of fees earned primarily by fiduciary asset management and administration services for corporate pension plans, investment funds, etc. Fees on funds transfer and service charges for collection are earned by providing settlement services such as domestic fund remittances and domestic collection services. Fees and commissions on international business primarily consist of fees from international fund transfer and collection services, and trade-related financing services. Fees and commissions on credit card business are composed of interchange income, annual fees, royalty and other service charges from franchisees. Service charges on deposits are fees charged for deposits such as checking account deposits. Other fees and commissions include fees from fees on guarantees, investment banking services including underwriting, brokerage and advisory services, and arrangement fees on securitizations.

28. BUSINESS SEGMENTS

MTFG conducts its business through its principal subsidiaries, BTM and Mitsubishi Trust, which have been granted substantial autonomy in conducting their business, and, therefore, management currently recognizes each of BTM and Mitsubishi Trust as a principal business segment of the MTFG Group.

The business segment information of BTM and its subsidiaries ("BTM Group") and Mitsubishi Trust and its subsidiaries ("Mitsubishi Trust Group"), set forth below, is derived from the internal management reporting system used by management to measure the performance of the business segments. Unlike financial accounting, there is no authoritative body of guidance for management accounting. The business segment information, set forth below, is based on the financial information prepared in accordance with Japanese GAAP along with internal management accounting rules and practices. Accordingly, the format and information is presented primarily on the basis of Japanese GAAP and is not consistent with the consolidated financial statements prepared on the basis of US GAAP. A reconciliation is provided for the total amounts of segments' total operating profits of BTM Group and Mitsubishi Trust Group with income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle under US GAAP.

See Note 29 for financial information relating to the MTFG Group's operations by geographic area. The geographic financial information is consistent with the basis of the accompanying consolidated financial statements.

Effective April 1, 2004, the MTFG Group implemented a new consolidated business unit system, which combines the operations of BTM and Mitsubishi Trust in the following three areas - retail financial services, corporate financial

services, and trust and asset management business. Although this new measure did not change the legal entity structure of MTFG, BTM, and MTB, it is intended to create more synergies by making collaboration of two domestic banking subsidiaries more effective and efficient.

The MTFG Group did not measure the performance of operating segments under the new consolidated business unit for the fiscal year ended March 31, 2004, which was prior to the effective date of this new measure. Accordingly, the following segment information is based on the segmentation used by the MTFG group management, prior to April 1, 2004.

BTM Group

BTM Group was organized based on a business unit system during the fiscal year ended March 31, 2004 as follows:

.. The Retail Banking business unit provides banking products and services to individual customers in Japan.

.. The Commercial Banking business unit provides banking products and services to large corporations and some small and medium-sized companies.

.. The Global Corporate Banking business unit provides banking services to large Japanese corporations and their overseas operations as well as non-Japanese corporations who do business on a global basis, excluding UNBC's customers.

.. The Investment Banking and Asset Management business unit provides advisory and other services related to mergers and acquisitions, securities services of BTM, syndicated loans, project financing, derivatives and securitization and other investment banking activities, and asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan.

.. The UNBC business unit includes BTM's subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A.

.. The Operations Services unit provides operations and settlement services to BTM Group's other business units, including settlement and foreign exchange.

.. The Treasury unit conducts BTM Group's asset and liability management, and liquidity management.

The Mitsubishi Securities segment includes Mitsubishi Securities and its subsidiaries that provide a broad range of retail and corporate securities services and products including retail brokerage, securitization, M&A advisory and derivatives.

In May 2003, BTM integrated the investment banking business unit and asset management business unit into one business unit under the name of investment banking and asset management business unit. Accordingly, BTM presented the investment banking and asset management business unit as a single operating segment for the fiscal year ended March 31, 2004. Presentation for the fiscal years ended March 31, 2002 and 2003 has been reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

Certain securities subsidiaries of BTM's investment banking and asset management business unit located in the United States, Hong Kong and Singapore were transferred to Mitsubishi Securities during the fiscal year ended March 31, 2004. Accordingly, these securities subsidiaries have been included in Mitsubishi Securities for the fiscal year ended March 31, 2004. Presentation for the fiscal years ended March 31, 2002 and 2003 has been reclassified to

conform to the presentation for the fiscal year ended March 31, 2004.

In July 2004, BTM transferred its overseas securities subsidiary, Tokyo-Mitsubishi International plc, to Mitsubishi Securities. Tokyo-Mitsubishi International plc has since been renamed in line with the name of its new parent company to Mitsubishi Securities International plc. Since the transfer was made subsequent to March 31, 2004, the business segment information was not reclassified for the fiscal years ended March 31, 2002, 2003 and 2004 to reflect this transfer.

In addition, BTM transferred its custody business, which had been included in the asset management business unit, to the operations services unit during the fiscal year ended March 31, 2004. Presentation for the fiscal years ended March 31, 2002 and 2003 has been reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

Furthermore, in the UNBC business unit, the measurement methods used to determine reported segment profit or loss were changed during the fiscal year ended March 31, 2004. Presentation for the fiscal years ended March 31, 2002 and 2003 has been reclassified to conform to the presentation for the fiscal year ended March 31, 2004.

The financial performances of BTM Group's major business units and Mitsubishi Securities, derived from the internal management reporting system, are summarized below. Management does not use information on segments' total assets to allocate resources and assess performance and has not prepared information on segment assets. Accordingly, business segments' information on total assets is not available.

	Retail Banking	Commercial Banking	Global Corporate Banking	Investment Banking and Asset Management	UNBC	Oper Ser
					(in milli	
Fiscal year ended March 31, 2002:						
Net revenue:						
BTM:						
Net interest income	(Yen)176,297	(Yen)216,041	(Yen)136,872	(Yen) 3,784	(Yen) --	(Yen
Net fees	23,314	43,631	68,365	31,820	--	
Other	10,737	26,723	18,956	21,833	--	
BTM's subsidiaries	72,787	11,342	57,887	40,605	289,520	
Total	283,135	297,737	282,080	98,042	289,520	
Operating expenses	230,602	126,834	134,559	55,444	157,263	
Operating profit (loss)	(Yen) 52,533	(Yen)170,903	(Yen)147,521	(Yen) 42,598	(Yen)132,257	(Yen

Fiscal year ended March 31,						
2003:						
Net revenue:						
BTM:						
Net interest income	(Yen)165,407	(Yen)196,033	(Yen)125,811	(Yen) 5,961	(Yen) --	(Yen
Net fees	29,383	46,250	65,040	28,369	--	
Other	12,645	31,337	24,273	16,800	--	
BTM's subsidiaries	72,534	12,964	47,787	31,500	269,755	
Total	279,969	286,584	262,911	82,630	269,755	
Operating expenses	211,695	126,995	129,945	50,491	155,506	
Operating profit (loss)	(Yen) 68,274	(Yen)159,589	(Yen)132,966	(Yen) 32,139	(Yen)114,249	(Yen
Fiscal year ended March 31,						
2004:						
Net revenue:						
BTM:						
Net interest income	(Yen)169,252	(Yen)191,071	(Yen)119,182	(Yen) 11,443	(Yen) --	(Yen
Net fees	40,623	49,994	70,304	35,262	--	
Other	19,902	44,939	25,257	33,415	--	
BTM's subsidiaries	73,113	11,661	31,609	34,687	253,456	
Total	302,890	297,665	246,352	114,807	253,456	
Operating expenses	204,065	119,574	120,199	44,292	150,877	
Operating profit (loss)	(Yen) 98,825	(Yen)178,091	(Yen)126,153	(Yen) 70,515	(Yen)102,579	(Yen

	Mitsubishi Securities	Other*	Total
Fiscal year ended March 31,			
2002:			
Net revenue:			
BTM:			
Net interest income	(Yen) --	(Yen) (21,416)	(Yen) 664,249
Net fees	--	(40,522)	130,533
Other	--	(4,960)	132,237
BTM's subsidiaries	16,922	8,571	519,130
Total	16,922	(58,327)	1,446,149
Operating expenses	25,739	57,001	838,725
Operating profit (loss)	(Yen) (8,817)	(Yen)(115,328)	(Yen) 607,424
Fiscal year ended March 31,			
2003:			
Net revenue:			
BTM:			
Net interest income	(Yen) --	(Yen) (49,935)	(Yen) 623,962
Net fees	--	(37,185)	132,974

Other.....	--	(6,972)	190,787
BTM's subsidiaries.....	58,521	6,022	517,996
Total.....	58,521	(88,070)	1,465,719
Operating expenses.....	69,572	80,008	876,426
Operating profit (loss)...	(Yen)(11,051)	(Yen)(168,078)	(Yen) 589,293
Fiscal year ended March 31, 2004:			
Net revenue:			
BTM:			
Net interest income.....	(Yen) --	(Yen) 5,830	(Yen) 614,246
Net fees.....	--	(45,908)	153,397
Other.....	--	(59,133)	137,654
BTM's subsidiaries.....	140,621	4,247	566,510
Total.....	140,621	(94,964)	1,471,807
Operating expenses.....	112,008	40,848	841,516
Operating profit (loss)...	(Yen) 28,613	(Yen)(135,812)	(Yen) 630,291

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* Other includes the Systems Services unit, the eBusiness & IT Initiatives unit and the Corporate Center, and eliminates overlapping allocation.

Management measures performance of each business unit by "operating profit," which includes profits or losses of BTM's subsidiaries. Financial information of each of BTM's subsidiaries is assigned to only one business unit, based on its major products or services provided and its major type of customers. "Operating profit" is a defined term in BTM's regulatory reporting to the FSA.

"Net revenue" above includes net interest income, net fees (that is, fees and commissions received, net of fees paid and other related expenses), and other gains, such as net trading gains, net foreign exchange gains, and net gains from sales of debt investment securities measured under Japanese GAAP. Interest income and expenses between business units are determined using an internal transfer pricing system, based on current market rates.

"Operating expenses" include salaries and employee benefits, occupancy, and certain other non-interest expenses. In determining operating profit, BTM Group does not assign to each business unit certain income and expense items such as specific provisions for loan loss reserve, equity investment securities gains or losses, minority interest in earnings or losses of BTM's subsidiaries, equity in earnings or losses of BTM's affiliated companies, goodwill amortization and impairment, net gains or losses from disposition of premises and equipment, and other non-interest income and expense items.

Frequently, the business units work together in connection with providing services to customers. In accordance with BTM Group's internal management accounting policies, BTM Group does not apportion the net revenue relating to a

particular transaction among the participating business units. Instead, BTM Group assigns the total amount of net revenue relating to each of these transactions to each participating business unit. As a result, some items of net revenue are recorded as part of the operating results of more than one business unit. Any overlapping allocations are eliminated in the "Other" column. The following is a summary of the aggregate amounts of this overlapping allocation of net revenue for the business units for the fiscal years ended March 31, 2002, 2003 and 2004:

	Retail Banking	Commercial Banking	Global Corporate Banking	Total amount eliminated
		(in millions)		
Fiscal year ended March 31, 2002:				
Investment Banking and Asset Management	(Yen) --	(Yen) 7,837	(Yen) 30,157	(Yen) 37,994
Fiscal year ended March 31, 2003:				
Investment Banking and Asset Management	--	9,722	28,709	38,431
Fiscal year ended March 31, 2004:				
Investment Banking and Asset Management	319	25,282	37,970	63,571

Mitsubishi Trust Group

Principal business activities of each operating group as of March 31, 2004, were as follows:

.. The Trust-Banking business group provides retail banking and trust services, corporate financing services, and stock transfer agent services

.. The Trust Assets business group provides asset management and administration services

.. The Real Estate business group provides brokerage, securitization, appraisal, advisory and other real estate services

.. The Global Markets business group provides various financial operations including banking, money markets and capital markets operations, securities investments, custody operations and asset management.

In April 2004, Mitsubishi Trust has upgraded the status of its stock transfer agency business from part of the trust-banking business group to a newly established stock transfer agency business group. Since this change was made subsequent to March 31, 2004, we did not reclassify the business segment information for the fiscal years ended March 31, 2002, 2003 and 2004 to reflect this change.

On April 2, 2001, NTB became a wholly owned subsidiary of MTFG and has been excluded from BTM's consolidation. On October 1, 2001, NTB and TTB merged with and into Mitsubishi Trust and, accordingly, their post-merger financial performance is reflected in Mitsubishi Trust's segment information. NTB's operation principally includes pension trust services, securities operations, real estate services, property management

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

services and stock transfer agency services. TTB's principal business includes securities lending transactions, asset securitizations and other financial securities. The following is a summary of financial performance of NTB and TTB for the six months ended September 30, 2001, derived from the internal management systems of these banks without any adjustments.

	Six months ended September 30, 2001
	(in millions)
Net revenue.....	(Yen)12,100
Operating expenses	14,341
Operating loss....	(Yen)(2,241)

The financial performance of the Mitsubishi Trust Group's business groups, derived from the internal management reporting system, is summarized below. Management does not use information on segments' total assets to allocate resources and assess performance, and has not prepared information on segment assets. Accordingly, business segments' information on total assets is not available.

	Trust-Banking	Trust Assets	R Es
Fiscal year ended March 31, 2002:			
Mitsubishi Trust:			
Net revenue:			
Net interest income.....	(Yen) 72,706	(Yen) --	(Yen
Fees on jointly operated designated money in trusts.....	16,563	--	
Other fees.....	27,017	54,334	
Other.....	105	--	
Total.....	116,391	54,334	
Operating expenses.....	69,139	33,249	
Mitsubishi Trust's subsidiaries.....	--	--	
Operating profit (loss).....	(Yen) 47,252	(Yen)21,085	(Yen
Fiscal year ended March 31, 2003:			
Mitsubishi Trust:			
Net revenue:			
Net interest income.....	(Yen) 79,025	(Yen) --	(Yen
Fees on jointly operated designated money in trusts.....	10,382	--	
Other fees.....	30,708	37,986	
Other.....	31	--	
Total.....	120,146	37,986	
Operating expenses.....	73,456	27,986	
Mitsubishi Trust's subsidiaries.....	--	--	

Operating profit (loss)	(Yen) 46,690	(Yen) 10,000	(Yen
Fiscal year ended March 31, 2004:			
Mitsubishi Trust:			
Net revenue:			
Net interest income	(Yen) 78,539	(Yen) --	(Yen
Fees on jointly operated designated money in trusts	7,590	--	
Other fees	38,741	37,977	
Other	9	--	
Total	124,879	37,977	
Operating expenses	71,069	28,089	
Mitsubishi Trust's subsidiaries	--	--	
Operating profit (loss)	(Yen) 53,810	(Yen) 9,888	(Yen

	Other*	Total
Fiscal year ended March 31, 2002:		
Mitsubishi Trust:		
Net revenue:		
Net interest income	(Yen) 10,711	(Yen) 179,489
Fees on jointly operated designated money in trusts	17,016	61,489
Other fees	--	89,728
Other	(50)	(14,713)
Total	27,677	315,993
Operating expenses	31,421	159,750
Mitsubishi Trust's subsidiaries	(293)	(293)
Operating profit (loss)	(Yen) (4,037)	(Yen) 155,950
Fiscal year ended March 31, 2003:		
Mitsubishi Trust:		
Net revenue:		
Net interest income	(Yen) 6,180	(Yen) 194,193
Fees on jointly operated designated money in trusts	16,463	48,816
Other fees	--	80,402
Other	(117)	11,215
Total	22,526	334,626
Operating expenses	27,377	156,213
Mitsubishi Trust's subsidiaries	4,738	4,738
Operating profit (loss)	(Yen) (113)	(Yen) 183,151
Fiscal year ended March 31, 2004:		
Mitsubishi Trust:		
Net revenue:		
Net interest income	(Yen) 5,001	(Yen) 202,868
Fees on jointly operated designated money in trusts	9,905	37,451
Other fees	--	87,283
Other	(591)	11,497
Total	14,315	339,099

Operating expenses	26,584	151,040
Mitsubishi Trust's subsidiaries	5,930	5,930
Operating profit (loss)	(Yen)(6,339)	(Yen)193,989

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* Other includes certain divisions of the corporate headquarters (e.g., personnel and planning) and adjustments.

Management measures performance of each business group by "operating profit." "Operating profit" is a defined term in Mitsubishi Trust's regulatory reporting to the FSA. The financial performance of subsidiaries are measured by ordinary profit or loss derived from the financial statements of Mitsubishi Trust's subsidiaries. Because of the limited significance of subsidiary operations, Mitsubishi Trust does not assign the subsidiary financial performances to business groups but manages them on an aggregate basis.

"Net revenue" above includes net interest income, net fees (that is, fees and commissions received, net of fees paid and other related expenses), and other gains, such as net trading gains, net foreign exchange gains, and net gains from sales of investment debt securities measured under Japanese GAAP. "Operating expenses" include salaries and employee benefits, occupancy and certain other non-interest expenses. In determining operating profit, the Mitsubishi Trust Group does not assign to each business group certain income and expense items such as provisions for loan loss reserve, equity investment securities gains or losses, minority interest in earnings or losses of Mitsubishi Trust's subsidiaries, equity in earnings or losses of Mitsubishi Trust's affiliated companies, goodwill amortization and impairment, net gains or losses from disposition of premises and equipment, and other non-interest income and expense items.

"Fees on jointly operated designated money in trusts" include trust fees, accounted for on a cash basis, which are associated with loan trusts and other types of jointly operated designated money in trusts, including certain money trusts with guarantee for the repayment of principal. The amounts assigned to the Trust-Banking business group are fees associated with the return on lending activities and the amounts assigned to the Global Markets business group are fees resulting from the management of investment securities included in the trust accounts. Amounts of write-downs for trust assets recorded within each trust account, which eventually reduce the trust fees to be recognized in Mitsubishi Trust's financial statements, are excluded from the business group's performance measure on jointly operated designated money in trusts, and the fee amounts are before provision for credit losses on individual trust assets. Such credit losses, recognized within each trust account, are shown in the reconciliations of the business segments' total operating profit to income or loss before income tax expense or benefit and cumulative effect of a change in accounting principle. Fees on such trusts are determined at the end of respective accounting periods of individual trust accounts and Mitsubishi Trust recognizes such fees, on a cash basis, in its Japanese GAAP financial statements. For measuring the performance of the Trust-Banking and Global Markets business groups, Mitsubishi Trust focuses on the results of performance during the term corresponding to the fiscal period. Since the trust accounting

periods do not necessarily correspond with Mitsubishi Trust's fiscal period, fee amounts shown in the Japanese GAAP financial statements would not meet the objective of management reporting without certain adjustments. Accordingly, Mitsubishi Trust allocates amounts to the business group to show the fee amounts that would have been earned, on an accrual basis, if each trust accounting period had corresponded with Mitsubishi Trust's fiscal period.

"Other fees" include trust fees other than fees on certain jointly operated designated money in trusts, such as retirement benefit trusts and securities-related trusts, including specified money trusts and independently operated designated money in trust, and fiduciary and custodial services related to asset management and administration. Fees and commissions on securitizations, stock transfer agency services and real estate businesses are also included in this line.

"Net revenue" included in the "Other" column includes interest and dividends on certain investment securities held for relationship management. "Fees on jointly operated designated money in trusts" under "Other" include the amounts representing the recoveries of trust assets previously written off and reversal of the statutory reserve, both of which are accounted for as a reduction of the trust fees. Also, included in the amounts under "Other" are the adjustments for the amounts of the Trust-Banking business group based on Mitsubishi Trust's fiscal period to the segments' total amounts, which are determined, based on the accounting periods of the trust accounts.

Reconciliation

As set forth above, the measurement bases and the income and expenses items covered are very different between the internal management reporting system and the accompanying consolidated statements of operations. Therefore, it is impracticable to present reconciliations of the business segments' total information, other than operating profit, to corresponding items in the accompanying consolidated statements of operations.

Reconciliations of the total amounts of total operating profits of BTM Group and Mitsubishi Trust Group under the internal management reporting system for the fiscal years ended March 31, 2002, 2003 and 2004 above to income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle shown on the consolidated statements of operations are as follows:

	2002	20
		(in bi
Operating profit:		
BTM Group	(Yen) 607	(Yen)
Mitsubishi Trust Group	156	
Total	763	
Trust fees adjusted for credit losses of trust assets	(19)	

Credit (provision) for credit losses		(577)
Trading account profits (losses)--net		12
Equity investment securities gains (losses)--net		(23)
Debt investment securities gains (losses)--net		21
Foreign exchange gains (losses)--net		(275)
Gains (losses) on other real estate owned		(6)
Goodwill amortization		(8)
Minority interest		(22)
Other--net		(189)
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(Yen)	(323) (Yen)

29. FOREIGN ACTIVITIES

Foreign operations include the business conducted by overseas offices, as well as international business conducted from domestic offices, principally several international banking-related divisions of BTM's and Mitsubishi Trust's Head Office in Tokyo, and involve various transactions with debtors and customers residing outside Japan. Close integration of the MTFG Group's foreign and domestic activities makes precise estimates of the amounts of assets, liabilities, income and expenses attributable to foreign operations difficult and necessarily subjective. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domiciles of the debtors and customers.

Generally, interest rates with respect to funds borrowed and loaned between domestic and foreign operations are based on prevailing money market rates appropriate for the transactions. In general, the MTFG Group has allocated all direct expenses and a proportionate share of general and administrative expenses to income derived from foreign loans and other transactions by the MTFG Group's foreign operations. The following table sets forth estimated total assets at March 31, 2002, 2003 and 2004, and estimated total revenue, total expenses, income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle and net income (loss) for the respective years then ended.

	Domestic	For	
	Japan	United States of America	Europe
			(in m
Fiscal year ended March 31, 2002:			
Total revenue	(Yen) 1,222,132	(Yen) 541,485	(Yen) 243,91
Total expenses	1,607,527	572,926	235,43
Income (loss) from continuing operations			

before income tax expense (benefit) and cumulative effect of a change in accounting principle	(385,395)	(31,441)	8,48
Net income (loss)	(236,546)	(57,036)	4,13
Total assets at end of fiscal year	69,162,382	12,346,379	6,668,61
Fiscal year ended March 31, 2003:			
Total revenue	1,286,442	611,937	255,95
Total expenses	1,362,508	438,082	203,94
Income (loss) from continuing operations before income tax expense and cumulative effect of a change in accounting principle	(76,066)	173,855	52,01
Net income (loss)	(70,636)	142,954	37,27
Total assets at end of fiscal year	69,731,714	13,210,140	7,893,47
Fiscal year ended March 31, 2004:			
Total revenue	1,650,727	575,077	277,18
Total expenses	940,903	408,651	94,05
Income from continuing operations before income tax expense and cumulative effect of a change in accounting principle	709,824	166,426	183,12
Net income	463,503	158,275	120,75
Total assets at end of fiscal year	79,655,825	12,585,539	6,141,83

	Total
Fiscal year ended March 31, 2002:	
Total revenue	(Yen) 2,375,463
Total expenses	2,697,980
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(322,517)
Net income (loss)	(216,534)
Total assets at end of fiscal year	94,365,114
Fiscal year ended March 31, 2003:	
Total revenue	2,422,572
Total expenses	2,159,648
Income (loss) from continuing operations before income tax expense and cumulative effect of a change in accounting principle	262,924
Net income (loss)	203,288
Total assets at end of fiscal year	96,531,713
Fiscal year ended March 31, 2004:	
Total revenue	2,728,593
Total expenses	1,548,445
Income from continuing operations before income tax expense and cumulative effect of a change in accounting principle	1,180,148
Net income	822,249
Total assets at end of fiscal year	103,701,080

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* Other areas primarily include Canada, Latin America and the Caribbean.

The following is an analysis of certain asset and liability accounts related to

foreign activities at March 31, 2003 and 2004:

Cash and due from banks	(Y
Interest-earning deposits in other banks	
Total	(Y
Trading account assets	(Y
Investment securities	(Y
Loans--net of unearned income and deferred loan fees	(Y
Deposits, principally time deposits and certificates of deposit by foreign banks	(Y
Funds borrowed:	
Call money, funds purchased, and receivables under repurchase agreements and securities lending transactions	(Y
Other short-term borrowings	
Long-term debt	
Total	(Y
Trading account liabilities	(Y

At 2004, the MTFG Group had no cross-border outstandings, as defined in the Securities Act Industry Guides 3, in any foreign country, which exceeded 0.75% of consolidated total assets.

The table below shows cross-border outstandings for the country in respect of which such outstandings totaled between 0.75% and 1% of consolidated total assets at March 31, 2003.

	Cross-border Outstandings	Percentage of Total Assets
	(in millions)	
United Kingdom	(Yen)810,668	0.84%

30. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices, when available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments and, therefore, fair values for such financial instruments are estimated using discounted cash flow models or other valuation techniques. Although management uses its best judgment in estimating fair values of financial instruments, estimation methodologies and assumptions used to estimate fair values are inherently subjective. Accordingly, the estimates presented herein are not necessarily indicative of net realizable or liquidation values. The use of different estimation methodologies and/or market assumptions may have a significant effect on the estimated fair values. The estimated fair values of financial instruments do not include valuations of related intangible assets such as core deposits.

The following is a summary of carrying amounts and estimated fair values of financial instruments at March 31, 2003 and 2004:

	2003	
	Carrying amount	Esti fair
Financial assets:		
Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	(Yen)11,912	(Yen
Trading account assets, excluding derivatives	4,789	
Investment securities	24,555	
Loans, net of allowance for credit losses	47,105	
Other financial assets	1,898	
Derivative financial instruments:		
Trading activities	3,574	
Activities qualifying for hedges	15	
Financial liabilities:		
Non-interest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	15,742	
Interest-bearing deposits	60,882	
Debentures	636	
Trading account liabilities, excluding derivatives	206	
Obligations to return securities received as collateral	950	
Due to trust account	1,402	
Other short-term borrowings	2,854	
Long-term debt	5,159	
Other financial liabilities	1,878	
Derivative financial instruments:		
Trading activities	3,397	

The methodologies and assumptions used to estimate the fair value of the financial instruments are summarized below.

Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions--For cash, due from banks including interest-earning deposits, and call loans and funds sold, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature and limited credit risk. For receivables under resale agreements and securities borrowing transactions, the fair values are based on quoted market prices, when available, or estimated with reference to quoted market prices for similar instruments when quoted market prices are not available.

Trading account securities--Trading account securities and short trading positions of securities are carried at fair value, which is principally based on quoted market prices, when available. If the quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Investment securities--The fair values of investment securities, where quoted market prices or secondary market prices are available, are equal to such market prices. For investment securities, when quoted market prices or secondary market prices are not available, the fair values are estimated using quoted market prices for similar securities or based on appraised value as deemed appropriate by management. The fair value of investment securities other than those classified as available for sale or being held to maturity (i.e., nonmarketable equity securities) at March 31, 2003 and 2004 were not readily determinable. Therefore, the above summary does not include the carrying amounts of such investment securities amounting to (Yen)145 billion and (Yen)201 billion at March 31, 2003 and 2004, respectively.

Loans--The fair values of loans are estimated for groups of similar characteristics, including type of loan, credit quality and remaining maturity. In incorporating the credit risk factor, management concluded that the allowance for credit losses adequately adjusts the related book values for credit risk. For floating- or adjustable-rate loans, which mature or are repriced within a short period of time, the carrying values are considered to be a reasonable estimate of fair values. For fixed-rate loans, market prices are not generally available and the fair values are estimated by discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates corresponding to the applicable maturity. Where quoted market prices or estimated fair values are available, primarily for loans to refinancing countries, loans held for dispositions or sales and certain other foreign loans, the fair values are based on such market prices and estimated fair values, including secondary market prices. For nonperforming loans, the fair values are generally determined on an individual basis by discounting the estimated future cash flows and may be based on the appraisal value of underlying collateral as appropriate.

Other financial assets--The estimated fair values of other financial assets, which primarily include accrued interest receivable, customers' acceptance liabilities and accounts receivable, approximate their carrying amounts.

Derivative financial instruments--The estimated fair values of derivative financial instruments are the amounts the MTFG Group would receive or pay to terminate the contracts at the balance-sheet date, taking into account the current unrealized gains or losses on open contracts. They are based on market or dealer quotes when available. Valuation models such as present value and option pricing models are applied to current market information to estimate fair values when such quotes are not available.

Non-interest-bearing deposits, call money and funds purchased, payables under repurchase agreements and securities lending transactions, and obligations to return securities received as collateral--The fair values of

non-interest-bearing deposits are equal to the amounts payable on demand. For call money and funds purchased,

the carrying amounts are a reasonable estimate of the fair values because of their short-term nature. For payables under repurchase agreements and securities lending transactions and obligations to return securities received as collateral, the fair values are generally based on quoted market prices, when available, or estimated using quoted market prices for similar instruments when quoted market prices are not available.

Interest-bearing deposits--The fair values of demand deposits, deposits at notice, and certificates of deposit maturing within a short period of time are the amounts payable on demand. Fair values of time deposits and certificates of deposit maturing after a short period of time are estimated by discounting the estimated cash flows using the rates currently offered for deposits of similar remaining maturities or the applicable current market rates.

Debentures--The fair values of debentures are estimated using a discounted cash flow model based on quoted market rates or, if available, secondary market rates currently available for debentures with similar terms and remaining maturities.

Due to trust account--For due to trust account, which reflects a temporary placement of excess fund from individual trust accounts managed by the trust banking subsidiary in their fiduciary and trust capacity, the carrying amount is a reasonable estimate of the fair value due to its nature similar to short-term funding, including demand deposits and other overnight funds purchased, in a manner that the balance changes in response to the day-to-day changes in excess funds placed by the trust accounts.

Other short-term borrowings--For most other short-term borrowings, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature. For certain borrowings, fair values are estimated by discounting the estimated future cash flows using applicable current market interest rates or comparable rates for similar instruments, which represent the MTFG Group's cost to raise funds with a similar remaining maturity.

Long-term debt--For convertible bonds and certain subordinated debt, the fair values are estimated based on quoted market prices of the instruments. The fair value of other long-term debt are estimated using a discounted cash flow model based on rates applicable to the MTFG Group for debt with similar terms and remaining maturities.

Other financial liabilities--The estimated fair values of other financial liabilities, which primarily include accrued interest payable, bank acceptances, accounts payable and obligations under standby letters of credit and guarantees, approximate their carrying amounts. Effective January 1, 2003, the MTFG Group adopted the initial recognition and measurement provisions of FIN No. 45, which requires that, for guarantees within the scope of FIN No. 45 issued or amended after December 31, 2002, liability for the fair value of the obligations undertaken in issuing the guarantees be initially measured at fair value. The fair values of obligations under standby letters of credit and guarantees are based on fees received or receivable by the MTFG Group.

The fair values of certain off-balance-sheet financial instruments held for purposes other than trading, including commitments to extend credit and commercial letters of credit, are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the credit quality. The aggregate fair value of such instruments at March 31, 2003 and 2004 was not material.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2003 and 2004. These amounts have not been comprehensively revalued since that date and, therefore, current estimates of fair values may have changed significantly from the amounts presented herein.

31. STOCK-BASED COMPENSATION

Two subsidiaries of MTFG, Mitsubishi Securities and UNBC, have several stock-based compensation plans.

Mitsubishi Securities

Under the Code, companies are permitted to purchase their own shares in the market in order to implement a stock option plan when approved by the shareholders.

Pursuant to resolutions approved at the general shareholders' meetings, Mitsubishi Securities offers stock option plans which provide directors, executive officers, eligible employees and certain other persons with options to purchase shares (at the respective exercise prices stipulated in each plan) as follows:

Date of approval at the shareholders' meeting	Exercise period	Shares
June 29, 2000	July 1, 2002 to June 30, 2005	2,057,00
June 28, 2001	July 1, 2003 to June 30, 2006	2,272,00
Total		4,329,00

The plans provide for the granting of stock options having an exercise price not less than the market value of Mitsubishi Securities' common stock on the date of grant. Following is the option activity for the period from September 1, 2002 to March 31, 2003 and for the fiscal year ended March 31, 2004:

	2003		2004	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-averag exercise price

Options outstanding, September 1, 2002, or beginning of fiscal year	5,512,000	(Yen)1,278	5,512,000	(Yen)1,278
Granted	--	--	--	--
Exercised	--	--	(831,000)	812
Forfeited	--	--	(1,528,000)	1,568
Options outstanding, end of fiscal year	5,512,000	(Yen)1,278	3,153,000	(Yen)1,260
Options exercisable, end of fiscal year	3,403,000	(Yen)1,566	3,153,000	(Yen)1,260

The following table details the distribution of stock options outstanding at March 31, 2004:

	Options outstanding at March 31, 2004			Options exercisable at March 31, 2004	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-avera exercise pric
(Yen)812--1,546	3,153,000	1.64 years	(Yen)1,260	3,153,000	(Yen)1,260

UNBC

UNBC has two management stock plans. The Year 2000 UnionBanCal Corporation Stock Plan, effective January 1, 2000 (the "2000 Stock Plan"), and the UnionBanCal Corporation Management Stock Plan, restated

effective June 1, 1997 (the "1997 Stock Plan"), have 16.0 million and 6.6 million shares, respectively, of the UNBC's common stock authorized to be awarded to key employees and outside directors of UNBC at the discretion of the Executive Compensation and Benefits Committee of the Board of Directors (the "Committee"). Employees on rotational assignment from BTM are not eligible for stock awards.

The Committee determines the term of each stock option grant, up to a maximum of ten years from the date of grant. The exercise price of the options issued under the Stock Plans shall not be less than the fair market value on the date the option is granted. Unvested restricted stock issued under the Stock Plans is shown as a reduction to retained earnings. The value of the restricted shares at the date of grant is amortized to compensation expense over its vesting period. All cancelled or forfeited options and restricted stock become available for future grants.

In 2001, 2002 and 2003, UNBC granted options to non-employee directors and various key employees, including policy-making officers under the 2000 Stock Plan. Under both Stock Plans, options granted to employees vest pro-rata on

each anniversary of the grant date and become fully exercisable three years from the grant date, provided that the employee has completed the specified continuous service requirement. The options vest earlier if the employee dies, is permanently disabled, or retires under certain grant, age, and service conditions. Options granted to non-employee directors are fully vested on the grant date and exercisable 33 1/3 percent on each anniversary under the 1997 Stock Plan, and fully vested and exercisable on the grant date under the 2000 Stock Plan. The following is a summary of stock option transactions under the Stock Plans.

	Fiscal years ended December 31,				
	2001		2002		
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	Number of shares
Options outstanding, beginning of fiscal year	5,191,899	$28.47	7,939,271	$29.79	8,515,469
Granted	3,448,242	30.03	2,911,652	43.49	2,517,023
Exercised	(557,597)	19.02	(2,187,170)	28.57	(1,912,323)
Forfeited	(143,273)	29.91	(148,284)	34.05	(112,158)
Options outstanding, end of fiscal year	7,939,271	$29.79	8,515,469	$34.71	9,008,011
Options exercisable, end of fiscal year	3,009,555	$29.53	3,031,478	$31.08	3,845,520

The weighted-average fair value of options granted was $10.38 during 2001, $16.67 during 2002 and $12.92 during 2003.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants made in 2001, 2002 and 2003:

	2001	2002	2003
Risk-free interest rate	4.9%	4.9%	2.9%
Expected lives	5 years	5 years	5 years
Expected volatility	45%	46%	43%
Expected dividend yields	3.4%	2.3%	2.8%

The following table summarizes information about stock options outstanding.

	Options outstanding at December 31, 2003			Options exercisable at Decemb	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-av exercise p
$ 18.29-25.00	113,269	4.5 years	$22.47	113,269	$22.47
27.56-40.50	6,067,111	7.4	34.29	2,818,885	31.33
42.40-57.50	2,827,631	8.1	43.77	913,366	43.65
	9,008,011			3,845,520	

In each of 2001, 2002 and 2003, UNBC also granted 6,000 shares of restricted stock with weighted average grant date fair values of $37.10, $45.00 and $46.95, respectively, to key officers, including policy-making officers, under the 2000 Stock Plan. The awards of restricted stock vest pro-rata on each anniversary of the grant date and become fully vested four years from the grant date, provided that the employee has completed the specified continuous service requirement. They vest earlier if the employee dies, is permanently and totally disabled, or retires under certain grant, age, and service conditions. Restricted shareholders have the right to vote their restricted shares and receive dividends.

At December 31, 2001, 2002 and 2003, 4,556,724 shares, 1,764,414 shares and 5,347,715 shares, respectively, were available for future grants as either stock options or restricted stock under the 2000 Stock Plan.

Effective January 1, 1997, UNBC established a Performance Share Plan. Eligible participants may earn performance share awards to be redeemed in cash three years after the date of grant. Performance shares are linked to shareholder value in two ways: (1) the market price of the UNBC's common stock; and (2) return on equity, a performance measure closely linked to value creation. Eligible participants generally receive grants of performance shares annually. The total number of performance shares granted under the plan cannot exceed 600,000. UNBC granted 72,000 shares in 2001, 61,500 shares in 2002, and 43,500 shares in 2003. No performance shares were forfeited in 2002 or 2003. In 2001, 7,250 performance shares were forfeited. The value of a performance share is equal to the market price of UNBC's common stock. All cancelled or forfeited performance shares become available for future grants. Expenses related to these shares were $3.3 million each in both 2001 and 2002, and $6.6 million in 2003.

32. PARENT COMPANY ONLY FINANCIAL INFORMATION

Distributions of retained earnings of BTM and Mitsubishi Trust are restricted in order to meet the minimum capital adequacy requirements under the Banking

Law. Also, retained earnings of these banking subsidiaries are restricted in accordance with the statutory reserve requirements under the Code (see Notes 20 and 21).

The following table presents the parent company only financial information of MTFG.

Condensed Balance Sheets

	2003	2004
	(in millions)	
Assets:		
Cash and interest-earning deposits with banks	(Yen) 34,359	(Yen) 57,571
Investments in subsidiaries	2,512,591	3,775,210
Other assets	18,764	53,013
Total assets	(Yen)2,565,714	3,885,794
Liabilities and shareholders' equity:		
Other liabilities	(Yen) 12,777	(Yen) 38,842
Total liabilities	12,777	38,842
Shareholders' equity	2,552,937	3,846,952
Total liabilities and shareholders' equity	(Yen)2,565,714	(Yen)3,885,794

Condensed Statements of Operations

	2002	2003	2004
		(in millions)	
Income:			
Dividends from subsidiaries	(Yen) 67,523	(Yen) 22,067	(Yen) 64,54
Management fees from subsidiaries	4,967	3,814	4,77
Interest income	7,145	4,736	
Other income	191	126	3
Total income	79,826	30,743	69,35
Expense:			
Operating expenses	5,426	3,159	4,41
Interest expense	7,166	4,730	-
Other expense	49	366	20
Total expense	12,641	8,255	4,62
Equity in undistributed net income (loss) of subsidiaries	(283,855)	181,750	757,58
Income (loss) before income tax expense or benefit	(216,670)	204,238	822,32
Income tax expense (benefit)	(136)	950	7
Net income (loss)	(Yen)(216,534)	(Yen)203,288	(Yen)822,24

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Condensed Statements of Cash Flows

	2002	2003
		(in millions
Operating activities:		
Net income (loss)	(Yen)(216,534)	(Yen) 203,28
Adjustments and other	283,365	(181,20
Net cash provided by operating activities	66,831	22,08
Investing activities:		
Proceeds from maturities of investments in convertible bonds of a subsidiary	--	243,80
Net decrease (increase) in interest-earning deposits with banks	(38,700)	5,87
Purchase of equity investment in a subsidiary	(12,827)	(210,27
Other	(14,639)	(3,83
Net cash provided by (used in) investing activities	(66,166)	35,57
Financing activities:		
Proceeds from sales of treasury stock	6,998	-
Payments to acquire treasury stock	(7,381)	(96
Proceeds from issuance of new shares of common stock	--	222,17
Repayment of convertible bonds	--	(243,80
Dividends paid	--	(46,91
Other	230	12,87
Net cash used in financing activities	(153)	(56,63
Net increase in cash and cash equivalents	512	1,02
Cash and cash equivalents at beginning of fiscal year	--	51
Cash and cash equivalents at end of fiscal year	(Yen) 512	(Yen) 1,53

33. EVENTS SINCE MARCH 31, 2004

Approval of Dividends

On June 29, 2004, the shareholders approved payment of cash dividends to the shareholders of record on March 31, 2004 of (Yen)41,250 per share of Class 1 preferred stock, totaling (Yen)3,357 million, of (Yen)8,100 per share of Class 2 preferred stock, totaling (Yen)121 million, and of (Yen)6,000 per share of common stock, totaling (Yen)38,844 million.

Strategic Business and Capital Alliance Between ACOM CO., LTD ("ACOM") and MTFG

MTFG agreed to enter into strategic business and capital alliance with ACOM on March 23, 2004. Pursuant to the agreement, MTFG acquired 20,732,340 shares of common stock of ACOM for (Yen)137,870 million on April 20, 2004. After the acquisition of ACOM's share, the MTFG Group held shares equivalent to 15% of the voting rights of ACOM's outstanding shares.

Mitsubishi Motors Corporation

Mitsubishi Motors Corporation ("MMC") is a major automotive manufacturing company in Japan. In April 2004, Daimler Chrysler, the largest shareholders of MMC, announced to withdraw from providing any financial

support to MMC and its consolidated subsidiaries (the "MMC Group"). In May 2004, MMC released a new business revitalization plan without the support by Daimler Chrysler, which contains a reduction in costs and financial support from other shareholders including the MTFG Group. Under its business revitalization plan, MMC received payments totaling (Yen)295 billion for the issue of preferred stocks during June 2004. The payments included (Yen)180 billion in the aggregate from domestic subsidiary banks of the MTFG Group.

The MTFG Group had an investment in shares of common stock issued by MMC of (Yen)15.0 billion at March 31, 2004. These shares were classified as available-for-sale securities and were measured at fair value based on the quoted market price as of March 31, 2004, in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Per share quoted market price of MMC was at (Yen)263 as of March 31, 2004, but declined to a price level below (Yen)80 per share in August 2004, after hitting over (Yen)300 per share in mid April. Based on a price level around (Yen)100 per share in September 2004, significant part of the MTFG Group's investment in MMC's common stock has been lost subsequent to March 31, 2004.

Planned Management Integration with the UFJ Group

In August 2004, four companies of the MTFG Group, MTFG, BTM, Mitsubishi Trust and Mitsubishi Securities, concluded a basic agreement with four companies of the UFJ Group, UFJ Holdings, Inc. ("UFJ"), UFJ Bank Limited ("UFJ Bank"), UFJ Trust Bank Limited and UFJ Tsubasa Securities Co., Ltd., regarding the management integration of the holding companies, banks, trust banks and securities companies of the two groups, subject to the approval by the shareholders and the relevant authorities. On September 10, 2004, MTFG, UFJ and UFJ Bank entered into an agreement with regard to the MTFG Group's cooperation in strengthening the UFJ Group's capital. Pursuant to the terms of the agreement, on September 17, 2004, UFJ Bank issued 3.5 billion preferred shares and MTFG purchased those shares for (Yen)700 billion.

Notice Concerning Redemption of Class 1 Preferred Stock

On August 26, 2004, MTFG announced that MTFG will redeem 40,700 shares of the 81,400 issued shares of its Class 1 Preferred stock on a pro-rata basis at (Yen)3 million per share on October 1, 2004, pursuant to the terms and conditions for Class 1 Preferred stock set forth in the articles of incorporation.

Diamond Computer Service to Become MTFG's Wholly Owned Subsidiary

On August 26, 2004, MTFG announced that Diamond Computer Service, Co. Ltd., an equity method investee, will become a wholly owned subsidiary of MTFG by December 22, 2004 through a share exchange, subject to approval by Diamond Computer Service's shareholders and the relevant authorities.

* * * * *

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

MITSUBISHI TOKYO FINANCIAL GROUP, INC.

By: /s/ NOBUO KUROYANAGI

Name: Nobuo Kuroyanagi
Title: President and Chief Executive Officer

Date: September 28, 2004

EXHIBIT INDEX

Exhibit	Description
1(a)	Articles of Incorporation of Mitsubishi Tokyo Financial Group, Inc., as amended and resta June 29, 2004. (English Translation)
1(b)	Corporation Meetings Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on 2004. (English Translation)
1(c)	Board of Directors Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on J 2004. (English Translation)
1(d)	Share Handling Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended and rest June 29, 2004. (English Translation)
2(a)	Form of stock certificates.
2(b)	Form of American Depositary Receipt.*
2(c)	Deposit Agreement, dated as of April 2, 2001, among Mitsubishi Tokyo Financial Group, Inc Bank of New York and the holders from time to time of American Depositary Receipts issued thereunder.*
8	Subsidiaries of the Company--see "Item 4.C. Information on the Company--Organizational St

11	Code of ethics, compliance rules and compliance manual of Mitsubishi Tokyo Financial Grou applicable to its directors and managing officers, including its principal executive offi financial officer, principal accounting officer or controller, or persons performing simi (English translation of relevant sections)
12	Certifications required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CF 240.15d-14(a)).
13	Certifications required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CF 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U 1350).
15	Consent of Auditors.

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* Incorporated by reference from the Registration Statement on Form F-6 (Reg. No. 333-13338) filed on April 2, 2001.