WEYCO GROUP INC
Form 4
July 11, 2013

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
FLORSHEIM THOMAS W

(Last) (First) (Middle)

333 W. ESTABROOK BOULEVARD

(Street)

GLENDALE, WI US 53212

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WEYCO GROUP INC [WEYS]

3. Date of Earliest Transaction (Month/Day/Year)
07/10/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	07/10/2013		J(2)(3)		89,345	A	$ 0	270,101	I	Held in Recovable Trust
Common Stock	07/10/2013		J(2)		54,217	D	$ 0	752,269	I (1)	2012 GRAT for Self of which Son is Trustee
Common Stock	07/10/2013		J(3)		35,128	D	$ 0	814,917	I (1)	2012 GRAT for Wife of which Son

				is Trustee
Common Stock		2,475	D	
Common Stock		215,569	I [(1)]	2009 GRAT for Self of which Son is Trustee
Common Stock		215,569	I [(1)]	2009 GRAT for Wife of which Son is trustee
Common Stock		77,688	I	By Wife

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. De Sec (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option	$ 18.03							12/26/2005	04/26/2015	Common Stock	3,000	
Stock Option	$ 24.21							12/01/2012[(4)]	12/01/2017	Common Stock	1,500	
Stock Option	$ 23.53							12/01/2013[(5)]	12/01/2018	Common Stock	1,500	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FLORSHEIM THOMAS W 333 W. ESTABROOK BOULEVARD GLENDALE, WI US 53212		X		

Signatures

/s/ Thomas W. Florsheim, Sr.	07/11/2013
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) For informational purposes only

(2) Shares transferred according to terms of GRAT for self of which Thomas W. Florsheim, Jr. (Son) is Trustee

(3) Shares transferred according to terms of GRAT for wife of which Thomas W. Florsheim, Jr. (Son) is Trustee

(4) 25% per year for 4 years beginning 12/01/2012

(5) 25% per year for 4 years beginning 12/01/2013

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TD> **March 31, 2002**

September 30, 2002

March 31, 2003

September 30, 2003

March 31, 2004

September 30, 2004

Nikkei Stock Average

¥11,024.94 ¥9,383.29 ¥7,972.71 ¥10,219.05 ¥11,715.39 ¥10,823.57

TOPIX

1,060.19 921.05 788.00 1,018.80 1,179.23 1,102.11

Stock prices have improved slightly since September 30, 2004, and as of the end of April 2005, the Nikkei Stock Average was around ¥11,000 and the TOPIX was around 1,130.

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 and the six months ended September 30, 2004. See Exchange Rates for the historical noon buying rates of the Federal Reserve Bank of New York.

International Financial Markets

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. The yield was around 4.1% in September 2004 and 4.37% at February 28, 2005. 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% in June, August, September, November and December 2004 and February and March 2005, to 2.75%.

In the EU, the European Central Bank decreased its policy rate (refinancing rate) by 0.50% to 2.00% in June 2003 and has kept it at 2.00% since that time.

Critical Accounting Estimates

Introduction

UFJ Holdings consolidated financial statements are prepared in accordance with U.S. GAAP. Many of the accounting policies require management to make judgments regarding the valuation of assets and liabilities. The financial results of UFJ Holdings are affected by the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The accounting policies used in the preparation of the financial statements are set out in note 1 to the financial statements. In preparing the financial statements, management is required to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

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The accounting estimates that are deemed critical to UFJ Holdings operating results and financial condition are discussed below.

Allowance for Loan Losses

The allowance for loan losses represents management s estimate of probable losses in UFJ Holdings loan portfolio. The evaluation process involves a number of estimates and judgments. UFJ Holdings allowance for loan losses consists of specific allowances for specifically identified impaired borrowers and general allowances for homogeneous pools of commercial and consumer loans, and other loans which are not specifically identified as impaired.

UFJ Holdings uses a credit rating system to determine the credit quality of its borrowers. Borrowers are graded using information believed to reflect the borrower s ability to fulfill its obligations. Among the factors considered are the borrower s equity ratio, retained earnings to total assets ratio, debt to total assets ratio and borrowing capacity. Also included are earnings before taxes ratio, earnings before interest, taxes, depreciation and amortization ratio, the ability to repay debts and years to repay debts. These factors are based on an evaluation of current and historical information as well as subjective assessment and interpretation. Emphasizing one factor over another or considering additional factors that may be relevant in determining the credit rating of a particular borrower, but which are not an explicit part of UFJ Holdings methodology, could impact the credit rating UFJ Holdings assigns to that borrower.

The allowance for specifically identified impaired borrowers, which represent large-balance, non-homogeneous loans that have been specifically determined to be impaired, is determined based on an estimate of the present value of expected future cash flows or the fair value of collateral when the loan is considered to be collateral dependent or the observable market price of the loan, if one is available. The consideration of whether a loan is impaired as well as the estimate of a borrower s ability to produce future cash flows and the amount and timing of such cash flows is highly subjective, especially for some of the largest borrowers where a wide range of estimates can result depending on the different assumptions used. In addition, UFJ Holdings real estate collateral valuations involve a number of detailed assumptions and estimates about current market conditions in the Japanese real estate sector. Substantially all collateral valuations are performed by UFJ Holdings group companies.

Large groups of smaller balance homogeneous loans and other loans which are not specifically identified as impaired are collectively evaluated for impairment, and the allowance for such loans is established through a process that begins with estimates of probable unidentified losses inherent in the portfolio. These estimates are based upon various analyses, including UFJ Holdings historical delinquency and loan loss experience, adjusted for qualitative factors, such as the current macro-economic conditions prevailing at each period an estimate is made as well as current lending policies and procedures. Since these estimates capture qualitative factors that are not present in the quantitative analysis, they can be highly subjective.

In addition to the allowance for loan losses on UFJ Holdings loan portfolio, UFJ Holdings maintains 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. The considerations that UFJ Holdings uses in its estimate of provisions against off-balance-sheet credit risk are similar to those used for on-balance-sheet risk.

The adequacy of the allowance for loan losses requires the exercise of considerable judgment and the use of estimates, such as those discussed above. To the extent that actual losses exceed management s estimates, additional allowance for loan losses may be required that could have a materially adverse impact on UFJ Holdings operating results and financial condition in future periods.

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Valuation and Impairment of Financial Instruments

UFJ Holdings holds investment securities and trading assets and liabilities, including debt and marketable equity securities, non-marketable equity securities and derivatives. Fair value of financial instruments is the current amount that would be exchanged between willing buyers and sellers, other than in a forced sale or liquidation. Valuations of investment securities and trading assets and liabilities are primarily estimated based on quoted market prices, prices actively quoted among brokers or internally developed pricing models.

Quoted market prices in active markets, if available, are the most reliable measure of fair value. However, quoted market prices for debt securities traded over the counter, including Japanese and foreign government bonds, certain derivative instruments, private equity and preferred equity investments may not be available. When quoted market prices are not available, derivatives and securities values are determined based upon discounted cash flow analysis, comparison to similar observable market transactions, or the use of financial models. Discounted cash flow analysis is dependent upon estimated cash flows and the market discount rate used for credit rating and maturity comparable with the issuer. Valuation using pricing models is dependent upon time value, yield curve, option features, volatility factors, prepayment speeds, default rates, loss severity, foreign exchange rates, current market prices and transaction prices for underlying financial instruments. Pricing adjustments to model UFJ Holdings portfolio valuations consider liquidity, credit exposure, concentration risks, hedging strategies, quality of model inputs and other factors.

Where valuation of financial instruments is subjective due to the lack of market prices or inputs, management must apply judgment to make estimates and certain assumptions. For example, if prices or inputs to financial models are used for similar financial instruments, judgment is applied to make appropriate adjustments for differences in credit risk, liquidity, transaction costs or various other financial variables. Changes in model estimates and assumptions, market conditions and unexpected circumstances can significantly affect the fair values of the securities and trading assets and liabilities.

Trading assets and liabilities that are actively traded are valued based on quoted market prices. Since few derivatives are actively traded, the majority of derivatives are valued using internally developed models based on external market variables that can be independently validated by third-party sources. However, certain derivatives are valued based on external market variables that are less readily available and are subject to management judgment. For certain derivatives not valued by internally developed models, UFJ Holdings may periodically utilize external valuations performed by qualified independent counterparties.

The estimated fair values of financial instruments without quoted market prices were as follows:

	At March 31,		At September 30,
	2003	2004	2004
		(in billions)	
Financial assets:			
Trading securities	¥ 2,358	¥ 2,587	¥ 3,368
Investment securities	15,463	18,760	16,951
Derivative financial instruments, net	167	136	118
Financial liabilities:			
Trading securities sold, not yet purchased	1,518	1,876	1,910

Obligations to return securities received as collateral	137	340	195

A significant portion of trading securities, investment securities, trading securities sold, not yet purchased and obligations to return securities received as collateral consists of Japanese national government and agency bonds, and foreign government and official institutions bonds, for which prices are actively quoted among brokers and are readily available but are not publicly reported and therefore are not considered quoted market

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prices. Additionally, a substantial portion of derivative financial instruments are comprised of over-the-counter interest rate and currency swaps and options. Estimates of fair value of these derivative transactions are determined using quantitative models with multiple market inputs.

An impairment loss on investment securities is required to be recognized in earnings for a decline in fair value that is other-than-temporary. UFJ Holdings conducts a review to identify and evaluate investment securities that have indications of possible impairment. UFJ Holdings assesses various quantitative and qualitative factors to determine whether impairment is other-than-temporary. The assessment of other-than-temporary impairment requires significant judgment and therefore can have a significant impact on the results of operations.

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. UFJ Holdings generally deems a decline in fair value of 20% or more or a decline in fair value that has continued for six months or more as an indicator of other-than-temporary decline. UFJ Holdings also considers the current financial condition and near-term prospects of issuers primarily based on the credit standing of the issuers as determined by UFJ Holdings credit rating system, market values of comparable companies, and changes in industry and market prospects.

Non-marketable equity securities. Non-marketable equity securities are equity securities of companies that are not publicly traded or are thinly traded. Such securities are held at cost less other-than-temporary impairment. UFJ Holdings considers the credit standing of issuers and the extent of decline in net assets of issuers as well as other factors, including valuation of public companies of similar size operating in the same or similar industry, operating performance, industry trends and future expectations, to determine whether the decline is other-than-temporary. When UFJ Holdings determines that the decline is other-than-temporary, non-marketable equity securities are written down to their fair value. For certain non-marketable equity securities, UFJ Holdings may periodically utilize external valuation performed by qualified independent valuation consulting firms.

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, UFJ Holdings assessment of potential impairment involves risks and uncertainties depending on market conditions that are global or regional in nature and the condition of specific issuers or industries and management s subjective assessment of the estimated future performance of investments.

Deferred Tax Asset Valuation Allowance

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. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified.

In determining a valuation allowance, UFJ Holdings estimates future taxable income (exclusive of reversing temporary differences and loss carryforwards) and future reversals of existing taxable temporary differences using forecasted operating results, based on recent historical trends and approved business plans, a review of the eligible carryforward periods, tax planning opportunities and other relevant considerations. Future realization of the tax benefit of these carryforwards or existing deductible temporary differences ultimately depends on the existence of sufficient taxable income in future periods. The existence of high levels of negative retained earnings, taxable losses and credit costs incurred in the past years add to the inherent subjectivity in the determination of the valuation allowance. A valuation allowance of ¥2,666.7 billion has been recorded against deferred tax assets as of September 30, 2004.

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Impairment of Goodwill

At September 30, 2004, UFJ Holdings had goodwill of ¥2,399 billion relating principally to the acquisition of Tokai Bank and Toyo Trust by Sanwa Bank on April 2, 2001. An impairment review of goodwill is performed at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The impairment review is performed for each reporting unit by projecting future cash flows of the reporting units to which the goodwill relates based upon budgets and plans and discounting these using a rate approximating the weighted average cost of capital after making adjustment for the risk inherent in the cash flows. A reporting unit is an operating segment or component of an operating segment that constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. If the present value of the projected cash flows, which represent the estimated fair value of the reporting units, were to be less than the carrying value of the underlying net assets and related goodwill, an impairment may have occurred. If it has been determined that an impairment has occurred, a charge would be recorded in income. This calculation requires the exercise of significant judgement by management.

Upon adoption of SFAS 142 on April 1, 2002, UFJ Holdings performed the transitional impairment test on goodwill. The initial adoption resulted in a cumulative adjustment charge to earnings of ¥62 billion. Also, during its subsequent annual impairment review on March 31, 2003, UFJ Holdings recorded an additional impairment on its goodwill of ¥194 billion, which was recorded in the fiscal year ended March 31, 2003.

Accrued Severance Indemnities and Pension Liabilities

UFJ Holdings has defined benefit retirement plans, including lump-sum severance indemnities and pension plans, which cover substantially all of its 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 plan assets and rates of increase in future compensation levels. Actual results that differ from the assumptions are accumulated and amortized over future periods, and affect UFJ Holdings recognized net periodic pension costs and accrued severance indemnities and pension obligations in future periods.

In developing the assumptions for expected long-term rates of return, UFJ Holdings refers 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.

UFJ Holdings had an unrecognized net actuarial loss for domestic severance indemnities and pension plans of ¥110.9 billion at September 30, 2004. Differences in actual experience or changes in assumptions may affect UFJ Holdings financial condition and reported results in future periods.

Accounting and Reporting Developments

See note 1 to UFJ Holdings consolidated financial statements for information concerning recent accounting and reporting developments.

Recently Issued Accounting Pronouncements

See note 1 to UFJ Holdings consolidated financial statements for information concerning recently issued accounting pronouncements.

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Results of Operations

The following table summarizes UFJ Holdings results of operations for the fiscal years ended March 31, 2003 and 2004 and the six months ended September 30, 2003 and 2004:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions)			
Interest income	¥ 1,187.0	¥ 1,058.4	¥ 535.1	¥ 613.5
Interest expense	269.8	209.0	108.5	136.3
Net interest income	917.2	849.4	426.6	477.2
Provisions for loan losses	511.9	313.1	134.9	202.4
Non-interest income	544.4	1,149.9	656.8	524.5
Non-interest expense	1,214.1	979.9	490.4	550.6
Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain	(264.4)	706.3	458.1	248.7
Income tax expense	23.7	95.6	57.4	5.9
Cumulative effect of change in accounting principle, net of taxes	(62.0)	(3.0)	(3.0)	2.9
Extraordinary gain, net of taxes	12.3			
Net income (loss)	¥ (337.8)	¥ 607.7	¥ 397.7	¥ 245.7

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

UFJ Holdings had net income of ¥245.7 billion for the six months ended September 30, 2004 as compared to ¥397.7 billion for the six months ended September 30, 2003. UFJ Holdings earnings per common share (net income available to common shareholders) for the six months ended September 30, 2004 was ¥43,106, compared to earnings per common share of ¥76,242 for the six months ended September 30, 2003. These decreases in net income were due primarily to the following:

- a decrease of ¥132.3 billion in non-interest income from ¥656.8 billion for the six months ended September 30, 2003 to ¥524.5 billion for the six months ended September 30, 2004 primarily reflecting losses on the trading account of ¥65.4 billion for the six months ended September 30, 2004 compared to gains on the trading account of ¥177.4 billion in the six months ended September 30, 2003,

- an increase of ¥67.5 billion in provisions for loan losses from ¥134.9 billion in the six months ended September 30, 2003 to ¥202.4 billion in the six months ended September 30, 2004 due primarily to efforts to restructure large exposures in the loan portfolio, and

- an increase of ¥60.2 billion in non-interest expenses from ¥490.4 billion for the six months ended September 30, 2003 to ¥550.6 billion for the six months ended September 30, 2004 primarily as a result of the consolidation of Nippon Shinpan, partially offset by

- an increase in interest income of ¥78.4 billion from ¥535.1 billion for the six months ended September 30, 2003 to ¥613.5 billion for the six months ended September 30, 2004 due primarily to the consolidation of Nippon Shinpan and increases in other retail lending.

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

UFJ Holdings had net income of ¥607.7 billion for the fiscal year ended March 31, 2004 as compared to a net loss of ¥337.8 billion for the fiscal year ended March 31, 2003. UFJ Holdings earning per common share for the fiscal year ended March 31, 2004 was ¥114,642, compared to a loss per common share of ¥77,926 for the fiscal year ended March 31, 2003. These increases in net income were due primarily to the following:

- an increase of ¥605.5 billion in non-interest income from ¥544.4 billion for the fiscal year ended March 31, 2003 to ¥1,149.9 billion for the fiscal year ended March 31, 2004 due to increases in fees and

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commissions, trading accounts gains and investment securities gains, all of which reflect improvements in market conditions between the periods,

- a decrease of ¥198.8 billion in provisions for loan losses from ¥511.9 billion for the fiscal year ended March 31, 2003 to ¥313.1 billion for the fiscal year ended March 31, 2004 due primarily to improvements in the financial conditions of existing impaired borrowers and fewer new impaired borrowers, and

- a decrease of ¥234.2 billion in non-interest expense from ¥1,214.1 billion for the fiscal year ended March 31, 2003 to ¥979.9 billion for the fiscal year ended March 31, 2004 primarily due to a goodwill impairment charge of ¥194.0 billion in the fiscal year ended March 31, 2003 relating to the trust business segment. In addition to this charge, an additional impairment charge of ¥62.0 billion relating to the trust business was recorded as a cumulative effect of change in accounting principle adjustment.

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.

The following table summarizes UFJ Holdings net interest income for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions)			
Interest income	¥ 1,187.0	¥ 1,058.4	¥ 535.1	¥ 613.5
Interest expense	269.8	209.0	108.5	136.3
Net interest income	¥ 917.2	¥ 849.4	¥ 426.6	¥ 477.2

Interest Income

The following table summarizes UFJ Holdings interest income for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions)			
Loans, including fees	¥ 908.6	¥ 840.8	¥ 424.5	¥ 483.9
Deposits in other banks	33.9	21.3	12.2	8.1
Investment securities:				
Interest	149.0	139.4	68.1	91.8
Dividends	32.6	22.6	10.0	10.8
Trading account assets	23.4	17.7	10.8	8.7
Call loans and funds sold	5.0	3.5	2.0	1.9
Receivables under reverse repurchase agreements and securities borrowing transactions	34.5	13.1	7.5	8.3
Total	¥ 1,187.0	¥ 1,058.4	¥ 535.1	¥ 613.5

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Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Interest income increased by ¥78.4 billion from ¥535.1 billion for the six months ended September 30, 2003 to ¥613.5 billion for the six months ended September 30, 2004. This increase was primarily due to an increase of ¥59.4 billion in interest income on loans from ¥424.5 billion for the six months ended September 30, 2003 to ¥483.9 billion for the six months ended September 30, 2004. In addition, interest earned on investment securities increased by ¥23.7 billion from ¥68.1 billion for the six months ended September 30, 2003 to ¥91.8 billion for the six months ended September 30, 2004.

Interest income earned on loans increased by ¥83.6 billion due to the consolidation of Nippon Shinpan s credit card and other interest earning businesses for the six months ended September 30, 2004. Excluding the contribution of Nippon Shinpan, interest income earned on loans decreased slightly by ¥24.2 billion, reflecting lower levels of corporate loan origination due to weak corporate sector demand for the six months ended September 30, 2004 compared to the six months ended September 30, 2003.

The impact of reduced corporate lending for the six months ended September 30, 2004 was partially offset by an increase in other consumer lending which typically carries a higher interest rate than corporate lending. In addition, the general level of long-term interest rates was higher for the six months ended September 30, 2004 as compared to the six months ended September 30, 2003, which also helped partially offset the decline in corporate lending volumes.

Interest income earned on investment securities increased by ¥23.7 billion from ¥68.1 billion for the six months ended September 30, 2003 to ¥91.8 billion for the six months ended September 30, 2004. This increase was due to higher levels of debt securities carried throughout the six months ended September 30, 2004, as compared to the six months ended September 30, 2003. The decrease in demand for corporate loans resulted in the channeling of funding balances into higher holdings of debt securities.

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

Interest income decreased by ¥128.6 billion from ¥1,187.0 billion for the fiscal year ended March 31, 2003 to ¥1,058.4 billion for the fiscal year ended March 31, 2004. This was primarily due to a decrease of ¥67.8 billion in interest from loans from ¥908.6 billion for the fiscal year ended March 31, 2003 to ¥840.8 billion for the fiscal year ended March 31, 2004, a decrease of ¥19.6 billion in interest and dividends on investment securities from ¥181.6 billion for the fiscal year ended March 31, 2003 to ¥162.0 billion for the fiscal year ended March 31, 2004 and a decrease of ¥12.6 billion in deposits in other banks from ¥33.9 billion for the fiscal year ended March 31, 2003 to ¥21.3 billion for the fiscal year ended March 31, 2004.

The decrease in interest income from loans was due to lower levels of corporate loan origination for the fiscal year ended March 31, 2004 compared to the fiscal year ended March 31, 2003 due to weak corporate sector demand. The impact of the reduced corporate lending was partially offset by an increase in consumer lending which typically carries a higher rate than corporate lending. In addition, the general level of long-term interest rates was higher for the fiscal year ended March 31, 2004 as compared to the prior year, which also helped partially offset the decline in corporate lending volumes.

Interest and dividends earned on investment securities decreased by ¥19.6 billion from ¥181.6 billion for the fiscal year ended March 31, 2003 to ¥162.0 billion for the fiscal year ended March 31, 2004.

Interest income from foreign currency denominated debt securities decreased by ¥13.8 billion from ¥69.3 billion for the fiscal year ended March 31, 2003 to ¥55.5 billion for the fiscal year ended March 31, 2004. This reflects a reduction in UFJ Holdings portfolio of U.S. dollar-denominated debt securities together with a period-on-period decline in U.S. interest rates. Interest income earned on domestic debt securities increased by ¥4.2 billion from ¥79.7 billion for the fiscal year ended March 31, 2003 to ¥83.9 billion for the fiscal year ended March 31, 2004.

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Dividends received on investment securities decreased by ¥10.0 billion from ¥32.6 billion for the fiscal year ended March 31, 2003 to ¥22.6 billion for the fiscal year ended March 31, 2004 due to a reduction in UFJ Holdings equity portfolio to reduce cross-holdings of customers equity securities.

The decrease of ¥12.6 billion in interest on deposits in other banks was due to a general reduction in interest earning deposits in other banks in the fiscal year ended March 31, 2004 as compared to the fiscal year ended March 31, 2003. Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks decreased 9.2%, from ¥964.2 billion at March 31, 2003 to ¥875.3 billion at March 31, 2004. This decrease primarily reflects the daily operation and liquidity needs of UFJ Holdings and money market conditions.

Interest Expense

The following table summarizes UFJ Holdings interest expense for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions)			
Deposits	¥ 108.2	¥ 74.8	¥ 37.3	¥ 38.8
Call money and funds purchased	3.2	1.3	0.6	0.7
Payables under repurchase agreements and securities lending transactions	38.0	18.6	10.4	11.0
Due to trust account	5.9	6.2	2.7	3.9
Other short-term borrowings and trading account liabilities	27.6	19.4	14.9	16.5
Long-term debt	86.9	88.7	42.5	65.4
Total	¥ 269.8	¥ 209.0	¥ 108.5	¥ 136.3

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Interest expense increased by ¥27.8 billion to ¥136.3 billion for the six months ended September 30, 2004 from ¥108.5 billion for the six months ended September 30, 2003. This increase was primarily due to an increase of ¥22.9 billion in interest payable on long-term borrowings from ¥42.5 billion for the six months ended September 30, 2003 to ¥65.4 billion for the six months ended September 30, 2004. The increase in interest payable on long-term borrowings was due to a net increase in long-term borrowing levels, which reflects the consolidation of Nippon Shinpan funding balances, partially offset by the deconsolidation of certain funding vehicles upon adoption of FIN 46R.

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

Interest expense decreased by ¥60.8 billion from ¥269.8 billion for the fiscal year ended March 31, 2003 to ¥209.0 billion for the fiscal year ended March 31, 2004. This was due to a decrease of ¥33.4 billion in deposit interest from ¥108.2 billion for the fiscal year ended March 31, 2003 to ¥74.8 billion for the fiscal year ended March 31, 2004, a reduction of ¥19.4 billion in payables under repurchase agreements and securities lending transactions from ¥38.0 billion for the fiscal year ended March 31, 2003 to ¥18.6 billion for the fiscal year ended March 31, 2004 and a decrease of ¥8.2 billion in other short-term borrowings from ¥27.6 billion for the fiscal year ended March 31, 2003 to ¥19.4 billion for the fiscal year ended March 31, 2004.

The decrease of ¥33.4 billion in deposit interest was primarily due to lower levels of interest credited to deposit accounts. As existing deposits expired during the fiscal year ended March 31, 2004, they were generally renewed at lower levels of interest compared to rates credited for the fiscal year ended March 31, 2003, which reflected UFJ Holdings strategy of aligning rates to market movements.

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The decrease of ¥19.4 billion in payables under repurchase agreements and securities lending transactions and the decrease of ¥8.2 billion in interest payable on other short-term borrowings were due primarily to UFJ Holdings reducing its short-term funding portfolio in exchange for longer-term funding and higher deposit balances.

Provisions for Loan Losses

Provisions for loan losses are charged to operations to maintain the allowance for loan losses at a level deemed appropriate by management. For a description of the approach and methodology used to establish the provisions for loan losses, see Financial Condition Allowance for Loan Losses, Nonperforming and Past Due Loans.

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Provisions for loan losses was ¥202.4 billion for the six months ended September 30, 2004, an increase of ¥67.5 billion, or 50.1%, compared to ¥134.9 billion for the six months ended September 30, 2003. This increase reflected additional provisions as a result of UFJ Holdings efforts to restructure large exposures in its portfolio. In addition, the increase reflects provisions for loan losses in respect of loans made by Nippon Shinpan, which became a newly consolidated subsidiary during the six months ended September 30, 2004. Partially offsetting these increases was an improvement in the Japanese economy, which was reflected through a lowering of provisioning rates against large groups of smaller balance homogeneous loans and a consequential reduction of the related allowance, which was magnified by a reduction in the overall level of lending to these groups.

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

Provisions for loan losses was ¥313.1 billion for the year ended March 31, 2004, a decrease of ¥198.8 billion, or 38.8%, compared to ¥511.9 billion for the fiscal year ended March 31, 2003. This decrease principally reflected a reduction in the amount of impaired loans, complemented by improvements in the financial condition of existing impaired borrowers. Improvements in the Japanese economy were also reflected through a lowering of provisioning rates against large groups of smaller balance homogeneous loans and a consequential reduction of the related allowance, which was magnified by a reduction in the overall level of lending to these groups.

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Non-Interest Income

The following table summarizes UFJ Holdings non-interest income for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions)			
Fees and commissions:				
Trust fees	¥ 56.3	¥ 50.1	¥ 23.2	¥ 25.2
Fees on funds transfer and service charges for collections	78.6	80.7	40.0	40.9
Fees and commissions on international business	35.2	39.1	18.4	20.1
Fees and commissions on credit card business	16.7	33.6	16.5	41.8
Service charges on deposits	35.5	37.8	18.2	20.6
Fees and commissions on securities business	48.5	70.3	32.2	39.4
Fees and commissions on stock transfer agency services	28.7	30.2	15.1	17.0
Other fees and commissions	82.5	103.9	43.6	92.0
Total	382.0	445.7	207.2	297.0
Foreign exchange gains (losses) net	(17.5)	95.6	33.1	5.4
Trading account gains (losses) net	(37.5)	228.9	177.4	(65.4)
Investment securities gains net	122.0	316.9	199.6	250.7
Refund of local taxes by the Tokyo Metropolitan Government		25.7		
Equity in earnings (loss) of affiliated companies	0.5	(35.3)	9.1	9.2
Other non-interest income	94.9	72.4	30.4	27.6
Total non-interest income	¥ 544.4	¥ 1,149.9	¥ 656.8	¥ 524.5

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Non-interest income for the six months ended September 30, 2004 was ¥524.5 billion, a decrease of ¥132.3 billion, or 20.1%, from ¥656.8 billion for the six months ended September 30, 2003. This decrease was due primarily to net trading account losses of ¥65.4 billion for the six months ended September 30, 2004 as compared to net trading account gains of ¥177.4 billion for the six months ended September 30, 2003, offset partially by an increase of ¥89.8 billion in fees and commissions from ¥207.2 billion for the six months ended September 30, 2003 to ¥297.0 billion for the six months ended September 30, 2004 and an increase of ¥51.1 billion in net investment securities gains from ¥199.6 billion for the six months ended September 30, 2003 to ¥250.7 billion for the six months ended September 30, 2004.

UFJ Holdings had fees and commissions income of ¥297.0 billion for the six months ended September 30, 2004, compared to ¥207.2 billion for the six months ended September 30, 2003, an increase of ¥89.8 billion. The increase was due primarily to an increase of ¥25.3 billion in fees and commission on credit cards from the consolidation of Nippon Shinpan. In addition, fees and commissions on securities businesses increased by ¥7.2 billion from ¥32.2 billion for the six months ended September 30, 2003 to ¥39.4 billion for the six months ended September 30, 2004. This was primarily due to increased trading volumes in equity securities and investment funds reflecting improved market conditions as well as increased underwriting activity. Other fees and commissions increased by ¥48.4 billion from ¥43.6 billion for the six months ended September

30, 2003 to ¥92.0 billion for the six months ended September 30, 2004. This increase reflects additional fee earning activities of Nippon Shinpan.

Foreign exchange gains decreased by ¥27.7 billion from ¥33.1 billion for the six months ended September 30, 2003 to ¥5.4 billion for the six months ended September 30, 2004. This decrease primarily reflected a decrease in transaction gains on translation of monetary liabilities denominated in foreign currencies due to the depreciation of the yen.

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Net trading account gains (losses) for the six months ended September 30, 2003 and 2004 consisted of the following:

	Six months ended September 30,	
	2003	2004
	(in billions)	
Net gains (losses) on derivative instruments, primarily interest-rate futures, swaps and options	¥ 33.9	¥ (26.8)
Net gains (losses) on trading securities	143.5	(38.6)
Net trading account gains (losses)	¥ 177.4	¥ (65.4)

Net trading account gains decreased by ¥242.8 billion from ¥177.4 billion for the six months ended September 30, 2003 to net trading account losses of ¥65.4 billion for the six months ended September 30, 2004.

Net gains on derivative instruments, primarily interest rate futures, swaps and options, decreased by ¥60.7 billion from a net gain of ¥33.9 billion for the six months ended September 30, 2003 to a net loss of ¥26.8 billion for the six months ended September 30, 2004. This decrease was due primarily to a decrease in net profits on interest rate swaps and interest rate options. In particular, in order to manage interest rate risks on its long-term debt, UFJ Holdings had net receive-fix and pay-variable positions in its interest rate swap portfolios. These portfolios decreased in value in an increasing interest rate environment.

Net gains on trading securities decreased by ¥182.1 billion, from a net gain of ¥143.5 billion for the six months ended September 30, 2003 to a net loss of ¥38.6 billion for the six months ended September 30, 2004. This decrease reflects weaker market conditions in the six months ended September 30, 2004 as compared to the six months ended September 30, 2003.

Net investment securities gains for the six months ended September 30, 2003 and 2004 are summarized below:

	Six months ended September 30,	
	2003	2004
	(in billions)	
Net gains on sales of equity securities	¥ 116.5	¥ 229.7
Impairment losses on equity securities	(55.8)	(31.4)
Net gains on sales of debt securities and others	138.9	52.4
Net investment securities gains	¥ 199.6	¥ 250.7

Net investment securities gains for the six months ended September 30, 2004 was ¥250.7 billion, an increase of ¥51.1 billion, or 25.6%, from ¥199.6 billion for the six months ended September 30, 2003. Net gains on sales of equity securities increased primarily due to the realization of cumulative unrealized equity gains as part of UFJ Holdings ongoing strategy to reduce its exposure to equity securities. Net gains on sales of debt securities and others decreased due primarily to worsening bond market conditions resulting from increases in interest rates.

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 ¥1,149.9 billion, an increase of ¥605.5 billion, or 111.2%, from ¥544.4 billion for fiscal year ended March 31, 2003. This increase was due primarily to net trading account gains of ¥228.9 billion for the fiscal year ended March 31, 2004 as compared to net trading account losses of ¥37.5 billion for the fiscal year ended March 31, 2003 as well as an increase of ¥194.9 billion in net investment securities gains from ¥122.0 billion for the fiscal year ended March 31, 2003 to ¥316.9 billion

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for the fiscal year ended March 31, 2004 and an increase of ¥113.1 billion in net foreign exchange gains from a loss of ¥17.5 billion for the fiscal year ended March 31, 2003 to a gain of ¥95.6 billion for the fiscal year ended March 31, 2004.

UFJ Holdings had fees and commissions income of ¥445.7 billion for the fiscal year ended March 31, 2004, compared to ¥382.0 billion for the fiscal year ended March 31, 2003. The increase was due primarily to an increase of ¥21.8 billion in fees and commissions on securities business from ¥48.5 billion for the fiscal year ended March 31, 2003 to ¥70.3 billion for the fiscal year ended March 31, 2004, an increase of ¥16.9 billion in fees and commissions on credit card businesses from ¥16.7 billion for the fiscal year ended March 31, 2003 to ¥33.6 billion for the fiscal year ended March 31, 2004, and an increase of ¥21.4 billion in other fees and commissions from ¥82.5 billion for the fiscal year ended March 31, 2003 to ¥103.9 billion for the fiscal year ended March 31, 2004.

The increase in fees and commissions in the securities business reflects increased securities trading volumes due to improved market conditions as well as increased underwriting activity. The increase in fees and commissions on credit card business reflected the consolidation of UFJ Card since the beginning of October 2002. The increase in other fees and commissions reflected increased fees and commissions from investment fund management and insurance brokerage activities.

UFJ Holdings had net foreign exchange gains of ¥95.6 billion for the fiscal year ended March 31, 2004, compared to net foreign exchange losses of ¥17.5 billion for the prior fiscal year. This improvement 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 trading account gains (losses) for the fiscal years ended March 31, 2003 and 2004 consisted of the following:

	Fiscal year ended March 31,	
	2003	2004
	(in billions)	
Net gains on derivative instruments, primarily interest-rate futures, swaps and options	¥ 213.9	¥ 36.9
Net gains (losses) on trading securities	(251.4)	192.0
Net trading account gains (losses)	¥ (37.5)	¥ 228.9

UFJ Holdings recorded net trading account losses of ¥37.5 billion for the fiscal year ended March 31, 2003 and net trading account gains of ¥228.9 billion for the fiscal year ended March 31, 2004.

Net gains on derivative instruments, primarily interest-rate futures, swaps and options, decreased by ¥177.0 billion from ¥213.9 billion for the fiscal year ended March 31, 2003 to ¥36.9 billion for the fiscal year ended March 31, 2004. This decrease was due primarily to a decrease in net profits on interest rate swaps and interest rate options. In particular, in order to manage interest rate risks on its long-term debt, UFJ Holdings

had net receive-fix and pay-variable positions in its interest rate swap portfolios. These portfolios decreased in value in an increasing interest rate environment.

Net losses on trading securities were ¥251.4 billion for the fiscal year ended March 31, 2003 as compared to net gains on trading securities of ¥192.0 billion for the fiscal year ended March 31, 2004. This increase of ¥443.4 billion was due primarily to improving market conditions in the fiscal year ended March 31, 2004 as compared to the fiscal year ended march 31, 2003.

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Net investment securities gains for the fiscal years ended March 31, 2003 and 2004 are summarized below:

	Fiscal year ended March 31,	
	2003	2004
	(in billions)	
Net gains on sales of equity securities	¥ 181.7	¥ 404.0
Impairment losses on equity securities	(265.3)	(122.9)
Net gains on sales of debt securities and others	205.6	35.8
Net investment securities gains	¥ 122.0	¥ 316.9

Net investment securities gains for the fiscal year ended March 31, 2004 was ¥316.9 billion, an increase of ¥194.9 billion, or 159.8%, from ¥122.0 billion for the fiscal year ended March 31, 2003.

Net gains on sales of equity securities increased by ¥222.3 billion from ¥181.7 billion for the fiscal year ended March 31, 2003 to ¥404.0 billion for the fiscal year ended March 31, 2004. This increase was due primarily to realizing investment gains from the significant improvement in the Japanese stock market over the period. Net gains on sales of debt securities and others decreased by ¥169.8 billion from ¥205.6 billion for the fiscal year ended March 31, 2003 to ¥35.8 billion for the fiscal year ended March 31, 2004. This decrease was primarily due to worsening bond market conditions resulting from increases in interest rates.

In October 2003, a number of banks, including UFJ Bank and UFJ Trust Bank, 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 revision of the applicable tax rate to 0.9%, from 3.0%, effective retroactive to the date of enactment of the local tax for the fiscal year ended March 31, 2001, and 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, UFJ Holdings received an aggregate tax refund plus accrued interest of ¥25.7 billion in the fiscal year ended March 31, 2004.

For the fiscal year ended March 31, 2004, UFJ Holdings recorded losses of ¥35.3 billion on equity in earnings of affiliated companies as compared to gains of ¥0.5 billion for the fiscal year ended March 31, 2003 due primarily to net losses recorded to Nippon Shinpan in the period.

Non-Interest Expenses

The following table summarizes UFJ Holdings non-interest expenses for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions)			
Salaries and employee benefits	¥ 354.4	¥ 344.6	¥ 172.6	¥ 161.0
Occupancy expenses net	121.2	121.2	60.6	68.0
Fees and commission expense	53.5	50.9	25.0	29.9
Amortization of intangible assets	85.0	82.7	40.5	55.1
Impairment of goodwill	194.0			
Insurance premiums, including deposit insurance	50.9	52.0	25.8	25.8
Minority interest in income of consolidated subsidiaries	17.4	19.7	9.5	3.7
Communications	9.2	9.4	4.8	4.7
Provision (reversal) for acceptances and off-balance-sheet credit instruments	(12.0)	0.8	(14.2)	(9.7)
Losses on sales and disposal of premises and equipment	28.1	19.2	11.4	3.5
Other non-interest expenses	312.4	279.4	154.4	208.6
Total non-interest expense	¥ 1,214.1	¥ 979.9	¥ 490.4	¥ 550.6

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Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Non-interest expenses for the six months ended September 30, 2004 were ¥550.6 billion, an increase of ¥60.2 billion, or 12.3%, from ¥490.4 billion for the six months ended September 30, 2003. This increase was due primarily to increases in net occupancy expenses and amortization of intangible assets relating to the consolidation of Nippon Shinpan. This increase was slightly offset by a reduction in salaries and employee benefits.

On consolidation of Nippon Shinpan, UFJ Holdings recognized customer relationship, brand and trade name, and technology-related intangible assets of ¥162.3 billion. Amortization of these intangible assets in the six months ended September 30, 2004 was ¥9.4 billion.

A general decrease in salaries and employee benefits of UFJ Holdings due to a reduction in headcount and of employee bonuses was partially offset by increased salaries and employee benefit costs of Nippon Shinpan of ¥27.2 billion.

Other non-interest expenses, which consists of administrative-related expenses, depreciation, disposal gains and losses and other expenses, increased by ¥54.2 billion from ¥154.4 billion for the six months ended September 30, 2003 to ¥208.6 billion for the six months ended September 30, 2004. This increase reflects primarily other non-interest expenses associated with the consolidation of Nippon Shinpan.

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

Non-interest expenses decreased by ¥234.2 billion to ¥979.9 billion for the fiscal year ended March 31, 2004 from ¥1,214.1 billion for the fiscal year ended March 31, 2003. This decrease was primarily related to an impairment charge of ¥194.0 billion charged against UFJ Holdings trust business in the fiscal year ended March 31, 2003.

Income Tax Expense

The following table summarizes UFJ Holdings income tax expense for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in billions, except percentages)			
Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain	¥ (264.4)	¥ 706.3	¥ 458.1	¥ 248.7
Income tax expense	23.8	95.6	57.4	5.9

Effective tax rate	(9.0)%	13.5%	12.5%	2.4%
Normal effective statutory tax rate	42.0%	42.0%	42.0%	40.7%

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

UFJ Holdings had income tax expense of ¥5.9 billion for the period ended September 30, 2004 compared to income tax expense of ¥57.4 billion for the year ended September 30, 2003. When UFJ Holdings was established on April 2, 2001, the business combination was accounted for as a purchase by Sanwa Bank of Tokai Bank and Toyo Trust and a valuation allowance was recognized for deferred tax assets in excess of the deferred tax liability, for Tokai Bank and Toyo Trust s deductible temporary differences and operating loss at the acquisition date. For the period ended September 30, 2003, the tax benefits for deductible temporary differences and operating loss of Tokai Bank at the acquisition date that were subsequently recognized have been applied to reduce goodwill instead of reducing reported income tax expense at September 30, 2004.

The normal effective statutory tax of UFJ Holdings was 42.0% and 40.7% for six months ended September 30, 2003 and 2004, respectively. Under the new local tax laws which were enacted in March 2003 for the fiscal

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years beginning after March 31, 2004, new uniform local taxes became 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, will supersede the current local taxes, including the local taxes levied by the Tokyo Metropolitan Government. New local tax laws enacted in March 2003 for fiscal years beginning after March 31, 2004 resulted in a decrease of 1.3% in the normal effective statutory tax rate of UFJ Holdings.

For the six months ended September 30, 2004, the effective income tax rate was 2.4%, which was 38.3% lower than the statutory tax rate of 40.7%. The lower tax rate was due primarily to a decrease in undistributed earnings from subsidiaries and affiliates compared to those amounts at March 31, 2004, and the continuing adjustments to the valuation allowance. For the six months ended September 30, 2003, the effective income tax rate was 12.5%, which was 29.5% lower than the statutory tax rate of 42.0%. The lower tax rate primarily reflects the continuing adjustments to the valuation allowance.

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

UFJ had income tax expense of ¥95.6 billion for the year ended March 31, 2004 compared to income tax expense of ¥23.8 billion for the year ended March 31, 2003. This is due primarily to an increase in the tax expense by ¥64.3 billion related to the recognition of tax benefits acquired from Tokai Bank at the acquisition date.

The following table summarizes reconciling items between the effective statutory tax rates and the actual effective tax rates for the periods indicated:

	Fiscal year ended March 31,	
	2003	**2004**
Normal effective statutory tax rate of UFJ Holdings	42.0%	42.0%
Increase (decrease) in taxes resulting from:		
Nondeductible expenses	(0.5)	6.1
Undistributed (earnings) losses of foreign subsidiaries	(2.0)	0.8
Higher (lower) tax rates applicable to income of subsidiaries	3.5	(4.6)
Nontaxable income		(0.9)
Change in valuation allowance	(56.1)	(36.4)
Enacted net change in tax rates net	29.5	(3.3)
Realization of previously unrealized tax benefits of subsidiaries	4.8	9.1
Goodwill impairment	(27.9)	
Per capita tax	(0.3)	0.2
Other net	(2.0)	0.5
Effective income tax rate	(9.0)%	13.5%

The effective income tax rate of 13.5% for the fiscal year ended March 31, 2004 was 28.5% lower than the normal effective statutory tax rate of 42.0%. This lower tax rate primarily reflected the continuing adjustments to the valuation allowance accounted against deferred tax at the rate of 90.6% at March 31, 2004. The effective income tax rate amounted to 9.0% for the fiscal year ended March 31, 2003 in the context when pretax loss was posted for the this period while the normal effective statutory tax rate was 42.0%. This difference in tax rate primarily reflected the enacted change in the tax rate, recognition of impairment loss of goodwill and the continuing adjustments to the valuation allowance against deferred tax at the rate of 92.4% at March 31, 2003.

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Cumulative Effect of Change in Accounting Principle, Net of Taxes

Six Months ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Upon adoption of FIN 46R, UFJ Holdings concluded that certain borrowers are variable interest entities for which UFJ Holdings is the primary beneficiary. UFJ Holdings consolidated these borrowers for the first time in beginning April 1, 2004 and recognized a cumulative effect of a change in accounting principle, net of income taxes, of ¥2.9 billion. These entities included Nippon Shinpan and certain real estate businesses.

In the six months ended September 30, 2003, UFJ Holdings recognized a cumulative effect of a change in accounting principle of ¥3.0 billion in respect of an asset retirement obligation on adoption of FAS 143, Accounting for Asset Retirement Obligations. This relates to UFJ Holdings obligations in respect of leasehold improvements made to operating lease facilities whereby UFJ Holdings is required to return the facility to its original condition at the end of the lease term.

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

In the fiscal year ended March 31, 2003, UFJ Holdings recorded a cumulative effect of a change in accounting principle of ¥62.0 billion in relation to a transitional goodwill impairment charge of the trust business segment, on adoption of FAS 142, Goodwill and Other Intangible Assets. In the fiscal year ended March 31, 2004, UFJ Holdings recognized a cumulative effect of a change in accounting principle of ¥3.0 billion in respect of an asset retirement obligation on adoption of FAS 143, Accounting for Asset Retirement Obligations.

Extraordinary Gain, Net of Taxes

In connection with the June 2002 transaction between UFJ Capital Markets and Tsubasa Securities that created UFJ Tsubasa Securities, ¥23.0 billion of excess of net assets acquired over consideration given was recorded. After writing down non-current non-financial assets, ¥12.3 billion was credited to income as an extraordinary gain in the fiscal year ended March 31, 2003 after writing down the carrying value of non-interest assets.

Business Segment Analysis

UFJ Holdings measures the performance of each of its 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 UFJ Holdings financial statements prepared on the basis of U.S. GAAP. For example, operating profit under Japanese GAAP does not reflect items such as a part of provisions for loan losses and equity investment securities gains (losses). In addition, this segment information does not include the results of operations of Nippon Shinpan, which is not deemed to be a consolidated subsidiary of UFJ Holdings under Japanese GAAP. If Nippon Shinpan were consolidated under Japanese GAAP, it would be reported within the retail banking business unit.

UFJ Holdings is organized into the following business segments:

- The Retail Banking business unit provides banking products and services of UFJ Bank to individual customers in Japan.

- The Corporate Banking business unit provides banking products and services of UFJ Bank to large corporations and small- and medium-sized companies.

- The Global Banking and Trading business unit provides banking services of UFJ Bank to large Japanese corporations on their overseas operations as well as non-Japanese corporations who do business on a global basis and conduct trading operations with markets and customers.

- The UFJ Bank Planning and Administration unit includes UFJ Bank s treasury services (asset and liability management, bond-related business) as well as the corporate advisory group and other indirect business of UFJ Bank.

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- The UFJ Trust business unit provides all operations of UFJ Trust Bank including retail and corporate banking, trust services, stock transfer agency services, real estate services, asset securitization services, asset management services and custody operations.

- The Other segment includes asset management services and the securities business which provides a broad range of retail and corporate securities services including retail brokerage, support for equity financing, securitization and mergers and acquisitions advisory services.

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

The following table shows the business segment information for the six months ended September 30, 2003 and 2004:

	UFJ Bank						
	Retail Banking	Corporate Banking	Global Banking and Trading	Planning and Administration	UFJ Trust	Other	Total
				(in billions)			
Six months ended September 30, 2003:							
Net revenue	¥ 189.7	¥ 256.0	¥ 103.7	¥ 153.4	¥ 82.3	¥ 32.0	¥ 817.1
Operating expenses	(148.9)	(103.8)	(34.0)	(11.5)	(41.2)	(26.0)	(365.4)
Operating profit	¥ 40.8	¥ 152.2	¥ 69.7	¥ 141.9	¥ 41.1	¥ 6.0	¥ 451.7
Six months ended September 30, 2004:							
Net revenue	¥ 199.5	¥ 272.1	¥ 90.7	98.7	¥ 76.3	¥ 36.1	¥ 773.4
Operating expenses	(151.6)	(106.4)	(30.7)	(0.8)	(37.6)	(28.1)	(355.2)
Operating profit	¥ 47.9	¥ 165.7	¥ 60.0	¥ 97.9	¥ 38.7	¥ 8.0	¥ 418.2

Retail Banking. Net revenue of UFJ Bank s retail banking business group increased by ¥9.8 billion, or 5.2%, from ¥189.7 billion for the six months ended September 30, 2003 to ¥199.5 billion for the six months ended September 30, 2004. This increase was due mainly to an increase in interest income from housing loans due to increased market share as a result of increased referrals from housing contractors together with an increase in fees and commissions generated by the sale of investment products and ATM fees. Interest income from housing loans contributes more than 50% of interest income in the retail banking business segment. Interest margin for housing loans decreased slightly due to market pricing competition, although this decline was more than offset by increased volumes thus contributing to an overall increase in net revenue. Investment product fee incomes increased due to growth in product lines such as investment trust funds and insurance products and a significant increase in marketing and selling activities led to higher market penetration and hence increased customer demand. ATM-related commissions also increased as a result of enhanced customer convenience through alliances with consumer finance companies for cashing services and improved ATM functions. Operating expenses increased by ¥2.7 billion, or 1.8%, from ¥148.9 billion to ¥151.6 billion. As a result of the foregoing, operating profit increased by ¥7.1 billion, or 17.4% from ¥40.8 billion for the six months ended September 30, 2003 to ¥47.9 billion for the six months ended September 30, 2004.

Corporate Banking. Net revenue of UFJ Bank s corporate banking business group increased by ¥16.1 billion, or 6.3%, from ¥256.0 billion for the six months ended September 30, 2003 to ¥272.1 billion for the six months ended September 30, 2004. This increase was due mainly to an increase in fees and commissions generated by investment banking services, securities and trading and derivatives. Due to weak corporate loan demand, interest income of UFJ Bank s corporate banking decreased. To compensate for the decrease in interest income, UFJ Bank leveraged its experience with larger corporate customers to increase sales of investment banking and derivative products to small- and medium-sized customers who had historically not purchased large volumes of these products. As a result, corporate banking achieved an overall increase in net revenue. Operating expenses increased by ¥2.6 billion, or 2.5%, from ¥103.8 billion to ¥106.4 billion. As a result of the foregoing, operating profit increased by ¥13.5 billion, or 8.9% from ¥152.2 billion for the six months ended September 30, 2003 to ¥165.7 billion for the six months ended September 30, 2004.

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Global Banking and Trading. Net revenue of UFJ Bank s global banking and trading business group decreased by ¥13.0 billion, or 12.5%, from ¥103.7 billion for the six months ended September 30, 2003 to ¥90.7 billion for the six months ended September 30, 2004. This decrease was due mainly to adverse global trading conditions impacting proprietary trading. Net revenue increased within commercial banking as global demand for structured products increased. The overall impact as a result of the above changes was a decline in net revenues. Operating expenses decreased by ¥3.3 billion, or 9.7%, from ¥34.0 billion to ¥30.7 billion. As a result of the foregoing, operating profit decreased by ¥9.7 billion, or 13.9% from ¥69.7 billion for the six months ended September 30, 2003 to ¥60.0 billion for the six months ended September 30, 2004.

Planning and Administration. Net revenue of UFJ Bank s planning and administration business group decreased by ¥54.7 billion, or 35.7%, from ¥153.4 billion for the six months ended September 30, 2003 to ¥98.7 billion for the six months ended September 30, 2004. This decrease was due mainly to smaller gains from sales of bonds reflecting worsening bond market conditions. Operating expenses decreased by ¥10.7 billion, or 93.0%, from ¥11.5 billion to ¥0.8 billion. As a result of the foregoing, operating profit decreased by ¥44.0 billion, or 31.0% from ¥141.9 billion for the six months ended September 30, 2003 to ¥97.9 billion for the six months ended September 30, 2004.

UFJ Trust. Net revenue of UFJ Trust decreased by ¥6.0 billion, or 7.3%, from ¥82.3 billion for the six months ended September 30, 2003 to ¥76.3 billion for the six months ended September 30, 2004. This decrease was due mainly to weaker corporate demand resulting in a reduction in loan origination. Offsetting this decrease was an increase in trust fees such as corporate agency fees. The overall impact was a decrease in net revenues of the trust business segment. Operating expenses decreased by ¥3.6 billion, or 8.7%, from ¥41.2 billion to ¥37.6 billion. As a result of the foregoing, operating profit decreased by ¥2.4 billion, or 5.8% from ¥41.1 billion for the six months ended September 30, 2003 to ¥38.7 billion for the six months ended September 30, 2004.

Other. Net revenue of Other increased by ¥4.1 billion, or 12.8%, from ¥32.0 billion for the six months ended September 30, 2003 to ¥36.1 billion for the six months ended September 30, 2004. This increase was due mainly to stronger performances from other subsidiary companies such as UFJ Tsubasa Securities which benefited from an increase in market brokerage volumes as the Japanese stock market improved over the period. Operating expenses increased by ¥2.1 billion, or 8.1%, from ¥26.0 billion to ¥28.1 billion. As a result of the foregoing, operating profit increased by ¥2.0 billion, or 33.3%, from ¥6.0 billion for the six months ended September 30, 2003 to ¥8.0 billion for the six months ended September 30, 2004.

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

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

	UFJ Bank						
	Retail Banking	**Corporate Banking**	**Global Banking and Trading**	**Planning and Administration**	**UFJ Trust**	**Other**	**Total**
				(in billions)			
Fiscal year ended March 31, 2003:							
Net revenue	¥ 351.3	¥ 501.3	¥ 234.5	¥ 231.5	¥ 186.7	¥ 51.2	¥ 1,556.5
Operating expenses	(289.1)	(233.0)	(91.3)	0.1	(84.6)	(53.3)	(751.2)

Operating profit (loss)	¥ 62.2	¥ 268.3	¥ 143.2	¥ 231.6	¥ 102.1	¥ (2.1)	¥ 805.3
Fiscal year ended March 31, 2004:							
Net revenue	¥ 397.9	¥ 526.7	¥ 211.9	¥ 192.0	¥ 168.9	¥ 70.2	¥ 1,567.6
Operating expenses	(303.0)	(210.7)	(67.2)	(17.0)	(81.0)	(53.3)	(732.2)
Operating profit (loss)	¥ 94.9	¥ 316.0	¥ 144.7	¥ 175.0	¥ 87.9	¥ 16.9	¥ 835.4

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Retail Banking. Net revenue of UFJ bank s retail banking business group increased by ¥46.6 billion, or 13.3%, from ¥351.3 billion for the fiscal year ended March 31, 2003 to ¥397.9 billion for the fiscal year ended March 31, 2004. This increase was due mainly to increases in interest income from housing loans and fees and commissions generated by sales of investment products. Interest income from housing loans contributes more than 50% of interest income in the retail banking business segment. Increases in interest income from housing loan originations was achieved by an increased focus on developing relationships with housing contractors which lead to increased customer referrals and higher volumes of housing loan originations. Commissions received on investment products increased as additional sales staff were hired to actively market investment products. Operating expenses increased by ¥13.9 billion, or 4.8%, from ¥289.1 billion to ¥303.0 billion. As a result of the foregoing, operating profit increased by ¥32.7 billion, or 52.6% from ¥62.2 billion for the fiscal year ended March 31, 2003 to ¥94.9 billion for the fiscal year ended March 31, 2004.

Corporate Banking. Net revenue of UFJ Bank s corporate banking business group increased by ¥25.4 billion, or 5.1%, from ¥501.3 billion for the fiscal year ended March 31, 2003 to ¥526.7 billion for the fiscal year ended March 31, 2004. This increase was due mainly to an increase in fees and commissions generated by investment banking, securities and derivatives activities. Fee and commission income increased in relation to investment banking activities as a result of increased sales of privately-placed bonds, particularly to small and medium sized borrowers. In addition, increased loan syndications and securitization programs helped contribute to increased fees and commission income. Operating expenses decreased by ¥22.3 billion, or 9.6%, from ¥233.0 billion to ¥210.7 billion. As a result of the foregoing, operating profit increased by ¥47.7 billion, or 17.8% from ¥268.3 billion for the fiscal year ended March 31, 2003 to ¥316.0 billion for the fiscal year ended March 31, 2004.

Global Banking and Trading. Net revenue of UFJ Bank s global banking and trading business group decreased by ¥22.6 billion, or 9.6%, from ¥234.5 billion for the fiscal year ended March 31, 2003 to ¥211.9 billion for the fiscal year ended March 31, 2004. This decrease was due mainly to adverse global trading conditions impacting proprietary trading. Net revenue increased within commercial banking as global demand for structured products increased. The overall impact as a result of the above changes was a decline in net revenues. Operating expenses decreased by ¥24.1 billion, or 26.4%, from ¥91.3 billion to ¥67.2 billion. As a result of the foregoing, operating profit increased by ¥1.5 billion, or 1.0% from ¥143.2 billion for the fiscal year ended March 31, 2003 to ¥144.7 billion for the fiscal year ended March 31, 2004.

Planning and Administration. Net revenue of UFJ Bank s planning and administration business group decreased by ¥39.5 billion, or 17.1%, from ¥231.5 billion for the fiscal year ended March 31, 2003 to ¥192.0 billion for the fiscal year ended March 31, 2004. This decrease was due mainly to smaller gains from sales of bonds reflecting worsening bond market conditions. Operating expenses increased to ¥17.0 billion for the fiscal year ended March 31, 2004. As a result of the foregoing, operating profit decreased by ¥56.6 billion, or 24.4% from ¥231.6 billion for the fiscal year ended March 31, 2003 to ¥175.0 billion for the fiscal year ended March 31, 2004.

UFJ Trust. Net revenue of UFJ Trust decreased by ¥17.8 billion, or 9.5%, from ¥186.7 billion for the fiscal year ended March 31, 2003 to ¥168.9 billion for the fiscal year ended March 31, 2004. This decrease was due mainly to a decrease in profits earned on bond investments and the corporate banking business, reflecting weaker corporate loan demand. Revenue from trust fees remained relatively constant between periods. Operating expenses decreased by ¥3.6 billion, or 4.3%, from ¥84.6 billion to ¥81.0 billion. As a result of the foregoing, operating profit decreased by ¥14.2 billion, or 13.9% from ¥102.1 billion for the fiscal year ended March 31, 2003 to ¥87.9 billion for the fiscal year ended March 31, 2004.

Other. Net revenue of Other increased by ¥19.0 billion, or 37.1%, from ¥51.2 billion for the fiscal year ended March 31, 2003 to ¥70.2 billion for the fiscal year ended March 31, 2004. This increase was due mainly to stronger performances from other subsidiary companies such as UFJ Tsubasa Securities which benefited from an increase in market brokerage volumes as the Japanese stock market improved over the period. Operating expenses were unchanged at ¥53.3 billion. As a result of the foregoing, there was a change from an operating loss

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of ¥2.1 billion for the fiscal year ended March 31, 2003 to operating profit of ¥16.9 billion for the fiscal year ended March 31, 2004.

Liquidity and Capital Resources

Financial Condition

Total Assets

UFJ Holdings total assets at March 31, 2004 were ¥80.6 trillion, an increase of 4.3% from ¥77.3 trillion at March 31, 2003. This increase was due primarily to an increase of ¥3.2 trillion in investment securities, partially offset by a decrease of ¥1.3 trillion in loans outstanding, net of unearned income and deferred loan fees.

Total assets were ¥82.6 trillion at September 30, 2004, a 2.5% increase as compared to ¥80.6 trillion at March 31, 2004. This increase was due primarily to an increase of ¥4.5 trillion in cash and due from banks, partially offset by decreases of ¥2.1 trillion in investment securities and ¥1.5 trillion in loans outstanding, net of unearned income and deferred loan fees. The amount of loans outstanding as of September 30, 2004 included ¥1.5 trillion of loans from Nippon Shinpan that were newly consolidated.

Loan Portfolio

The following table shows UFJ Holdings loans outstanding, before deduction of allowance for loan losses, at March 31, 2003 and 2004 and September 30, 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,		At September 30,
	2003	2004	2004
		(in billions)	
Domestic:			
Manufacturing	¥ 5,848.1	¥ 5,370.5	¥ 4,912.7
Construction	1,587.5	1,282.6	1,186.5
Real estate	5,299.7	4,580.9	4,437.2
Services	3,722.4	3,178.5	2,894.1
Wholesale and retail	5,710.5	5,500.4	4,969.3
Banks and other financial institutions	4,610.6	4,181.5	3,448.4
Other industries	4,465.0	5,830.9	5,055.0
Consumer:			
Mortgage loans	6,623.1	7,667.5	8,100.0

Other consumer loans	5,804.2	5,231.2	6,126.4
Total domestic	43,671.1	42,824.0	41,129.6
Foreign:			
Governments and official institutions	150.4	119.3	114.4
Banks and other financial institutions	79.3	131.8	217.7
Commercial and industrial	2,743.0	2,322.9	2,445.3
Other	44.5	33.7	26.5
Total foreign	3,017.2	2,607.7	2,803.9
Less unearned income and deferred loan fees net	3.6	11.6	5.3
Total	¥ 46,684.7	¥ 45,420.1	¥ 43,928.2

At March 31, 2004, UFJ Holdings total loans were ¥45.4 trillion, a decrease of 2.8% from ¥46.7 trillion at March 31, 2003. This decrease was attributable primarily to lower originations due to weak demand from domestic corporate sectors as well as efforts to reduce nonperforming loans through sales of loans, debt-for-equity swaps and charge-offs.

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At September 30, 2004, UFJ Holdings total loans were ¥43.9 trillion, a decrease of 3.3% as compared to March 31, 2004. This decrease was attributable primarily to lower originations due to weak demand from domestic corporate sectors as well as efforts to reduce nonperforming loans through sales of loans, debt-for-equity swaps and charge-offs. This was partially offset by an increase in consumer loans primarily resulting from the inclusion of loans made by Nippon Shinpan.

Allowance for Loan Losses, Nonperforming and Past Due Loans

The following table summarizes the allowance for loan losses by component at the dates indicated.

	At March 31,		At September 30,
	2003	2004	2004
		(in billions)	
Allowance:			
Specific specifically identified problem loans	¥ 2,644.2	¥ 1,966.7	¥ 1,545.0
Large groups of smaller-balance homogeneous loans and other loans	551.0	471.6	535.8
Total allowance	¥ 3,195.2	¥ 2,438.3	¥ 2,080.8

The following table summarizes the changes in the allowance for loan losses for the periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
		(in billions)		
Balance at beginning of period	¥ 3,479.3	¥ 3,195.2	¥ 3,195.2	¥ 2,438.3
Provisions for loan losses	511.9	313.1	134.9	202.4
Charge-offs	(897.1)	(1,148.8)	(548.0)	(676.0)
Recoveries	97.8	80.4	21.0	35.6
Others	3.3	(1.6)	(0.3)	80.5
Balance at end of period	¥ 3,195.2	¥ 2,438.3	¥ 2,802.8	¥ 2,080.8

Charge-offs

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

Charge-offs were ¥676.0 billion for the six months ended September 30, 2004, an increase of ¥128.0 billion, or 23.4%, compared to ¥548.0 billion for the six months ended September 30, 2003. This increase reflected a significant increase in charge-offs resulting from UFJ Holdings efforts to sell or restructure the remaining large exposures in its portfolio, partially offset by a large decrease in the level of charge-offs on the remaining loans specifically identified as impaired. This decrease reflected the fact that UFJ Holdings had largely completed its efforts to address smaller impaired borrowers by the start of the six months ended September 30, 2004.

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

Charge-offs were ¥1,148.8 billion for the year ended March 31, 2004, an increase of ¥251.7 billion, or 28.1%, compared to ¥897.1 billion for the fiscal year ended March 31, 2003. This increase reflected an increase in the amount of loans specifically identified as impaired being charged off during the fiscal year ended March 31, 2004 as a result of UFJ Holdings efforts to work out problem loans in its portfolio. This increase was partially offset by a decrease in charge-offs on large borrowers, the restructuring of which were not completed until after March 31, 2004.

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Charge-offs were high compared to provisions for loan losses during these periods because UFJ Holdings had largely identified its impaired loans in years before the fiscal year ended March 31, 2003 and allowances required for new impaired loans from this date were significantly lower than the charge-offs on UFJ Holdings existing portfolio of impaired loans.

Change in total allowance for loan losses

At September 30, 2004, total allowance for loan losses was ¥2,080.8 billion, or 4.7% of UFJ Holdings total loan portfolio and 47.3% of total nonaccrual and restructured loans and loans contractually past due 90 days or more. At March 31, 2004, the total allowance for loan losses was ¥2,438.3 billion, or 5.4% of the total loan portfolio and 48.0% of total nonaccrual and restructured loans and loans contractually past due 90 days or more. At March 31, 2003, the total allowance for loan losses was ¥3,195.2 billion, or 6.8% of the total loan portfolio and 44.6% of total nonaccrual and restructured loans and loans contractually past due 90 days or more. The decrease in allowance for loan losses reflects both improvement in the Japanese economy and efforts to reduce problem loans by means of charge-offs, collection and various support measures for the revival of borrowers in order to meet the Financial Services Agency s policy announced in October 2002 of reducing the ratio of problem loans to total loans in half. Allowances on large borrowers represented approximately 50% or more of the total allowance for loan loss for specifically identified problem loans in each period.

Allowance policy

UFJ Holdings credit rating system is closely linked to the risk grading standards set by the Financial Services Agency for asset evaluation and assessment, and is used as a basis for establishing the allowance for loan 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 UFJ Holdings credit rating system, see Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management Credit Rating System.

Allowance for specifically identified problem loans

The loan loss allowance for specifically identified problem loans represents the allowance against impaired loans required by SFAS No. 114, Accounting by Creditors for Impairment of a Loan. Impaired loans primarily include nonaccrual loans and restructured loans. UFJ Holdings discontinues accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest or generally, when principal or interest is contractually past due one month or more. Loans are classified as restructured loans if UFJ Holdings grants a concession to the borrowers for economic or legal reasons related to the borrowers financial difficulties. Where these loans are accruing loans status, they are classified as restructured loans. Detailed reviews of loans are performed annually or semi-annually depending on the level of credit risk. In addition, as part of an ongoing credit review process, UFJ Holdings 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 forms an integral part of UFJ Holdings 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.

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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 the dates indicated:

	At March 31,		At September 30,
	2003	2004	2004
	(in billions, except percentages)		
Nonaccrual loans:			
Domestic:			
Manufacturing	¥ 570.6	¥ 305.1	¥ 227.9
Construction	489.0	296.0	237.8
Real estate	2,277.8	1,390.6	1,379.6
Services	598.4	393.8	379.3
Wholesale and retail	1,280.1	1,103.3	999.0
Banks and other financial institutions	420.7	307.4	58.8
Other industries	703.4	611.2	470.4
Consumer	211.0	206.0	273.8
Total domestic	6,551.0	4,613.4	4,026.6
Foreign	403.6	292.5	269.0
Total nonaccrual loans	6,954.6	4,905.9	4,295.6
Restructured loans:			
Domestic	186.5	156.1	78.0
Foreign	5.8	3.1	2.6
Total restructured loans	192.3	159.2	80.6
Accruing loans contractually past due 90 days or more:			
Domestic	22.9	19.8	24.1
Total accruing loans contractually past due 90 days or more	22.9	19.8	24.1
Total	¥ 7,169.8	¥ 5,084.9	¥ 4,400.3
Total loans	¥ 46,684.7	¥ 45,420.1	¥ 43,928.2
Nonaccrual and restructured loans, and accruing loans contractually past due 90 or more as a percentage of total loans	15.4%	11.2%	10.0%

Total nonaccrual loans were ¥4,905.9 billion at March 31, 2004, a decrease of ¥2,048.7 billion, or 29.5%, from ¥6,954.6 billion at March 31, 2003. Total nonaccrual loans were ¥4,295.6 billion at September 30, 2004, a decrease of ¥610.3 billion, or 12.4%, as compared to March 31, 2004. Total restructured loans were ¥159.2 billion at March 31, 2004, a decrease of ¥33.1 billion, or 17.2%, from ¥192.3 billion at March 31, 2003. Total restructured loans were ¥80.6 billion at September 30, 2004, a decrease of ¥78.6 billion, or 49.4%, as compared to March 31, 2004. Changes in nonaccrual loans and restructured loans are highly correlated to movements in a small group of large borrowers experiencing weak economic performance. The reduction in exposure to these large borrowers was achieved through a variety of measures, including debt forgiveness, debt-equity swaps and loan sales. Outside this group of large borrowers, similar reductions in nonaccrual loans were achieved primarily through loan sales, recoveries or charge-offs. The carrying amounts of loans that were swapped for equity during the fiscal years ended March 31, 2003 and 2004 and the six months ended September 30, 2004 were ¥101.4 billion, ¥106.7 billion and ¥264.0 billion, respectively. The higher amount of debt-equity swaps in the six months ended September 30, 2004 compared to each of the prior two fiscal years is the result of

the restructuring of one large borrower. See Restructurings of Certain Large Borrowers.

Allowance for large groups of smaller-balance homogeneous loans and other loans

The allowance for large groups of smaller-balance homogeneous loans and other loans is focused on loss experience for each pool rather than on an analysis of individual loans. Large groups of smaller-balance

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homogeneous loans and other loans primarily consist of commercial loans and 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 different groups of loans, UFJ Holdings classifies groups of homogeneous loans based on the risk rating, loan size and industry. The loss experience is usually determined by reviewing the levels of historical charge-offs but also requires an evaluation of the conditions that may not be directly, or sufficiently, addressed in the quantitative processes that form the basis for determining the allowance. These conditions include the following, as UFJ Holdings management understood them at the balance sheet date:

- general economic and business conditions affecting key lending areas;
- credit quality trends, including trends in nonperforming loans expected to result from existing conditions;
- loan volumes and concentrations;
- seasoning of the loan portfolio;
- specific industry conditions within portfolio segments;
- unusual trends in recent loss experience in particular segments of the portfolio;
- duration of, and position in, the current business cycle;
- bank regulatory examination results; and
- findings of internal credit examiners.

The loan loss allowance for large groups of smaller-balance homogeneous loans and other loans was ¥551.0 billion, ¥471.6 billion and ¥535.8 billion at March 31, 2003, March 31, 2004 and September 30, 2004, respectively.

The decrease between March 31, 2003 and March 31, 2004 reflects an improvement in the lending environment in Japan and a steady improvement in the quality of UFJ Holdings loan portfolio in particular. An increased focus on identifying and addressing problem loans throughout the periods under consideration, combined with improved credit rating procedures, resulted in a lower incidence of impairment events which resulted in a steady deduction in allowance rates. Although these favorable trends continued for the six months ended September 30, 2004, Nippon Shinpan s general allowance for loan losses was included in the overall general allowance at September 30, 2004, which resulted in an overall increase in the general allowance at that date.

Investment Portfolio

UFJ Holdings investment securities are primarily comprised of Japanese government and Japanese government agency bonds, which are mostly classified as available-for-sale securities.

Investment securities increased 18.6%, from ¥17.2 trillion at March 31, 2003 to ¥20.4 trillion at March 31, 2004 and then decreased 10.3% to ¥18.3 trillion at September 30, 2004. This decrease resulted from a shift from Japanese government bonds to cash as well as a reduction in equity holdings to reduce equity market risks in order to increase cash positions. At March 31, 2003 and 2004 and September 30, 2004, gross unrealized gains on investment securities were ¥574.1 billion, ¥767.9 billion and ¥612.3 billion, respectively, and gross unrealized losses on investment securities were ¥24.1 billion, ¥39.5 billion and ¥31.0 billion, respectively.

Cash and Due from Banks

Cash and due from banks decreased slightly from ¥3.7 trillion at March 31, 2003 to ¥3.6 trillion at March 31, 2004, then increased by ¥4.5 trillion, or 125.0%, to ¥8.1 trillion at September 30, 2004. This increase was primarily attributable to an increase of demand deposits with the Bank of Japan and increased sales of investment securities in order to ensure sufficient liquidity for settlement in inter-bank systems.

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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 decreased 9.2%, from ¥964.2 billion at March 31, 2003 to ¥875.3 billion at March 31, 2004 and decreased an additional 34.9% to ¥569.7 billion at September 30, 2004. These decreases primarily reflected the daily operation and liquidity needs of the UFJ group and money market conditions.

Total Liabilities

At March 31, 2004, total liabilities were ¥79.2 trillion, an increase of ¥2.2 trillion from ¥77.0 trillion at March 31, 2003. This increase primarily reflected an increase of ¥2.4 trillion in deposits, partially offset by a decrease of ¥1.1 trillion in payables under securities lending transactions.

Total liabilities were ¥81.1 trillion at September 30, 2004, an increase of ¥1.9 trillion as compared to March 31, 2004. This increase was due primarily to increases of ¥1.6 trillion in long-term debt and ¥1.1 trillion in other short-term borrowings, partially offset by decreases of ¥1.0 trillion in deposits and ¥1.0 trillion in call money and funds purchased.

Sources of Funding and Liquidity

UFJ Holdings primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. At September 30, 2004, UFJ Holdings deposits were ¥57.5 trillion and exceeded loans, net of unearned income and deferred loan fees, by ¥13.6 trillion. These deposits provide UFJ Holdings with a sizable source of stable and low-cost funds. While approximately 82% of certificates of deposit and time deposits mature within one year, UFJ Holdings continuously monitors relevant interest rate characteristics of these funds and utilizes asset and liability management techniques to manage the possible impact of the rollovers on its net interest margin and liquidity. UFJ Holdings deposits and stockholders equity was equal to 74.3% of its total assets at March 31, 2004 and 71.4% of its total assets at September 30, 2004. UFJ Holdings also increased its liquidity in September 2004 by issuing ¥700 billion of UFJ Bank preferred stock to MTFG, the terms of which are more fully described under Related Transactions.

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, UFJ Holdings has issued long-term instruments such as 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.

Deposits

Deposits increased 4.3%, from ¥56.1 trillion at March 31, 2003 to ¥58.5 trillion for the fiscal year ended March 31, 2004. This increase reflected increases of ¥2.1 trillion in interest-bearing deposits and ¥0.3 trillion in non-interest-bearing deposits.

Deposits were ¥57.5 trillion at September 30, 2004, a decrease of 1.7% as compared to March 31, 2004. This decrease reflected decreases of ¥0.6 trillion in interest-bearing deposits and ¥0.4 trillion in non-interest-bearing deposits.

Short-term Borrowings

Short-term borrowings decreased by ¥1.2 trillion, or 9.5%, from ¥12.6 trillion at March 31, 2003 to ¥11.4 trillion at March 31, 2004. This decrease was primarily attributable to a decrease in payables under securities lending transactions in connection with the daily money market operations of the UFJ group.

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Short-term borrowings were ¥12.3 trillion at September 30, 2004, an increase of ¥0.9 trillion, or 7.9%, as compared to March 31, 2004. This increase was primarily attributable to an increase in call money and funds purchased in connection with the daily money market operations of the UFJ group.

Long-term Debt

Long-term debt increased from ¥3.7 trillion at March 31, 2003 to ¥4.2 trillion at March 31, 2004, and increased an additional ¥1.6 trillion to ¥5.8 trillion at September 30, 2004.

Stockholders Equity

The following table summarizes UFJ Holdings stockholders equity at the dates indicated:

	At March 31,		At September 30,
	2003	2004	2004
	(in billions, except percentages)		
Preferred stock	¥ 759.1	¥ 737.8	¥ 732.2
Common stock	240.9	262.2	267.8
Capital surplus	2,497.0	2,517.8	2,527.3
Accumulated deficit	(3,289.5)	(2,709.7)	(2,490.2)
Accumulated other changes in equity from nonowner sources	166.6	628.9	480.4
Less treasury stock, at cost	(1.9)	(2.2)	(9.3)
Total stockholders equity	¥ 372.2	¥ 1,434.8	¥ 1,508.2
Ratio of total stockholders equity to total assets	0.48%	1.78%	1.83%

Total stockholders equity increased 285.5% from ¥372.2 billion at March 31, 2003 to ¥1,434.8 billion at March 31, 2004, and the ratio of total stockholders equity to total assets increased from 0.48% at March 31, 2003 to 1.78% at March 31, 2004. These increases were principally attributable to an improvement in accumulated deficit from a loss of ¥3,289.5 billion to a loss of ¥2,709.7 billion resulting from net income of ¥607.7 billion for the fiscal year ended March 31, 2004.

Total stockholders equity increased 5.1% to ¥1,508.2 billion at September 30, 2004 as compared to March 31, 2004, and the ratio of total stockholders equity to total assets increased to 1.83%. The increase in stockholders equity was principally attributable to an improvement in accumulated deficit from a loss of ¥2,709.7 billion to a loss of ¥2,490.2 due to net income of ¥245.7 billion for the six months ended September 30, 2004.

Due to a large holding 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 UFJ Holdings stockholders equity. The following table presents information relating to the accumulated net unrealized gains before tax effect in respect of marketable equity securities at the dates indicated:

	At March 31,		At September
	2003	2004	30, 2004
	(in billions, except percentages)		
Accumulated net unrealized gains	¥ 304.1	¥ 678.3	¥ 510.4
Accumulated net unrealized gains to total assets	0.39%	0.84%	0.62%

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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

Capital Requirements for Banks in Japan

A Japanese bank is subject to 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 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. UFJ Holdings Tier I capital generally consists of stockholders equity items, including common stock, non-cumulative preferred stock, capital surplus, minority interests and retained earnings (which reflects tax adjustments including deferred tax assets), but recorded goodwill and other items, such as treasury stock, are deducted from Tier I capital. UFJ Holdings 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. UFJ Holdings does not have any Tier III capital, which 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, UFJ Holdings consolidated capital components, including Tier I, Tier II and risk-weighted assets, are calculated from UFJ Holdings consolidated financial statements prepared under Japanese GAAP. Also, the consolidated and stand-alone capital components of UFJ Bank and UFJ Trust Bank are calculated from consolidated and non-consolidated financial statements prepared under Japanese GAAP.

For a detailed discussion of the capital adequacy guidelines adopted by the Financial Services Agency and proposed amendments, see Business Supervision and Regulation Japan Capital Adequacy.

Capital Requirements for Securities Firms

UFJ Holdings has securities subsidiaries in Japan and overseas, which are also subject to regulatory capital requirements. In Japan, under the Securities and Exchange Law, securities companies are required to maintain adjusted capital at specified levels as compared with the quantified total of their business risks on a non-consolidated basis. Article 52 of the Securities and Exchange Law requires securities companies to file month-end reports regarding their capital adequacy ratio, which is the ratio of adjusted capital to a quantified total of business risks, to the Commissioner of the Financial Services Agency or the Director General of the Local Finance Bureau, and to disclose their capital adequacy ratio to the public on a quarterly basis. A securities company must also file a report on a daily basis with the Commissioner of the Financial Services Agency or the Director General of the Local Finance Bureau if its capital adequacy ratio falls below 140%. Article 56-2 of the Securities and Exchange Law determines the actions which the Prime Minister, through the Commissioner of the Financial Services Agency, may take if the ratio falls further. Specifically, if the ratio falls below 120%, the Commissioner of the Financial Services Agency may order the securities company to change its method of business or to deposit its property in trust, or order other measures for the public interest and investor protection if necessary. A securities company whose ratio falls below 100% may be subject to additional proceedings, including temporary suspension of its business and revocation of its registration as a securities company if there is no prospect that the ratio will recover three months after the suspension came into effect. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries

or jurisdictions in which they operate. At September 30, 2004, UFJ Tsubasa Securities capital accounts, less certain illiquid assets, were ¥182.0 billion, or 353.3% of total amounts equivalent to market, counterparty credit and operations risks.

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The UFJ Group Ratios

The table below presents UFJ Holdings consolidated risk-based capital, risk-weighted assets and risk-based capital ratios at March 31, 2004 and September 30, 2004 (underlying figures are calculated in accordance with Japanese banking regulations based on information derived from UFJ Holdings consolidated financial statements prepared in accordance with Japanese GAAP, as required by the Financial Services Agency):

	At March 31, 2004	At September 30, 2004	Minimum capital ratios required
	(in billions, except percentages)		
Capital components:			
Tier I capital	¥ 2,175.3	¥ 2,203.9	
Tier II capital includable as qualifying capital	2,175.3	2,159.1	
Deductions from total qualifying capital	82.0	74.8	
Total risk-based capital	¥ 4,268.6	¥ 4,288.2	
Risk-weighted assets	¥ 46,186.0	¥ 43,207.7	
Capital ratios:			
Tier I capital	4.70%	5.10%	4.00%
Total risk-based capital	9.24%	9.92%	8.00%

UFJ Holdings total risk-based capital ratio increased 0.68 percentage points from 9.24% at March 31, 2004 to 9.92% at September 30, 2004. This increase, despite net losses recorded under Japanese GAAP for the six month period, was due primarily to UFJ Bank s issuance of ¥700 billion of preferred stock to MTFG in September 2004 as discussed further under Related Transactions and a reduction in risk-weighted assets resulting primarily from a decrease in loans outstanding.

UFJ Holdings and UFJ Bank will not make the next scheduled dividend payments on any of their securities that constitute Tier I capital. One of the main components of UFJ Holdings Tier I capital is the various classes of preferred stock issued to the Resolution and Collection Corporation of Japan, or the RCC. In March 1999, each of Sanwa Bank, Tokai Bank and Toyo Trust issued various classes of preferred stock to the RCC, which was then named the Resolution and Collection Bank. These shares were exchanged into shares of preferred stock of UFJ Holdings effective April 2, 2001. The initial subscription by the RCC was described as a temporary injection of capital, and the RCC was directed to dispose of the shares as promptly as practicable. Banks that received public funds were also encouraged to redeem the shares in the future after improving their financial position. The preferred stock owned by the RCC is as follows:

- Class II preferred stock: Annual dividends on the class II preferred stock are payable on a noncumulative basis at rate of ¥15,900 per share. The class II preferred stock is convertible into ordinary shares of UFJ Holdings at a conversion price of ¥1,050,000 per ordinary share, subject to adjustment, at the option of the RCC at any time until July 31, 2008, and on a mandatory basis on August 1, 2008.

- Class IV preferred stock: Annual dividends on the class IV preferred stock are payable on a noncumulative basis at rate of ¥18,600 per share. The class IV preferred stock is convertible into ordinary shares of UFJ Holdings at a conversion ratio of 2.202 ordinary shares per class IV preferred stock as of April 2, 2001, subject to adjustment, at the option of the RCC at any time until March 30, 2009, and on a mandatory basis on April 1, 2009.

- Class V preferred stock: Annual dividends on the class V preferred stock are payable on a noncumulative basis at rate of ¥19,400 per share. The class V preferred stock is convertible into ordinary shares of UFJ Holdings at a conversion ratio of 2.202 ordinary shares per class V preferred stock as of April 2, 2001, subject to adjustment, at the option of the RCC at any time until March 30, 2009, and on a mandatory basis on April 1, 2009.

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- Class VII preferred stock: Annual dividends on the class VII preferred stock are payable on a noncumulative basis at rate of ¥11,500 per share. The class VII preferred stock is convertible into ordinary shares of UFJ Holdings at a conversion price of ¥704,300 per ordinary share, subject to adjustment, at the option of the RCC at any time until July 31, 2009, and on a mandatory basis on August 1, 2009.

The RCC also holds ¥100 billion of perpetual unsecured subordinated bonds issued by UFJ Holdings. The bonds may be redeemed on March 31 and September 30 of each year. The interest rate on the bonds is six-month yen LIBOR plus 0.34% as of September 30, 2004 and 1.34% on or after October 1, 2004. The bonds are a component of UFJ Holdings Tier II capital.

Another significant component of UFJ Holdings Tier I capital is minority interests, which includes preferred stock issued by UFJ Holdings subsidiaries, primarily offshore funding vehicles, to third-party investors. The total amounts of preferred stock included in minority interests was ¥628.9 billion, ¥616.1 billion and ¥617.4 billion at March 31, 2003 and 2004 and September 30, 2004, respectively. The ability of proceeds from these transactions to be counted towards Tier I capital is constrained by the amount of other Tier I capital and the amount of other similar transactions at the time of issuance.

Minority interests also includes ¥700 billion of preferred stock of UFJ Bank issued to MTFG, the terms of which are discussed under Related Transactions, and ¥120 billion in non-voting preferred stock of UFJ Strategic Partner issued to Merrill Lynch. UFJ Bank currently holds all the common shares and all the voting rights of UFJ Strategic Partner. As an incentive to increase the value of UFJ Strategic Partner, Merrill Lynch was granted options to acquire additional non-voting preferred stock. Upon the occurrence of certain events, including the non-payment of dividends on the preferred stock for three consecutive fiscal years, specified insolvency and business suspension events of UFJ Bank or a change in control of UFJ Holdings, Merrill Lynch will be able to obtain control of UFJ Strategic Partner and could then terminate the venture. If Merrill Lynch chooses to exercise this option, UFJ Bank has the right to purchase the preferred stock at a premium based upon the performance of the loan portfolio held by UFJ Strategic Partners. The entering into and seeking of shareholders approval of the proposed merger between UFJ Bank and Bank of Tokyo-Mitsubishi will constitute such a trigger event, however, Merrill Lynch has executed a waiver pursuant to which it has agreed not to exercise such rights upon the merger of UFJ Bank with and into Bank of Tokyo Mitsubishi.

Capital Ratios of UFJ Bank and UFJ Trust Bank

The table below presents the risk-based capital ratios of UFJ Bank and UFJ Trust Bank at March 31, 2004 and September 30, 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, 2004	At September 30, 2004	Minimum capital ratios required
Consolidated capital ratios:			
UFJ Bank			
Tier I capital	4.27%	5.12%	4.00%
Total risk-based capital	8.36	10.03	8.00
UFJ Trust Bank			
Tier I capital	8.78	7.05	2.00
Total risk-based capital	12.34	8.82	4.00
Stand-alone capital ratios:			
UFJ Bank			

Tier I capital	4.39	5.40	4.00
Total risk-based capital	8.43	10.42	8.00
UFJ Trust Bank			
Tier I capital	9.44	7.74	2.00
Total risk-based capital	12.82	9.25	4.00

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UFJ Bank has international operations conducted by foreign offices and is subject to the 8.00% capital adequacy requirement. UFJ Trust Bank is not engaged in international operations conducted by foreign offices and is subject to the 4.00% capital adequacy requirement.

On March 29, 2005, UFJ Holdings subscribed for ¥50 billion of non-voting preferred shares issued by UFJ Bank. As a result of this transaction, UFJ Bank s Tier I and total risk-based capital ratios are expected to increase by approximately 0.25% on a consolidated basis and 0.35% on a stand-alone basis. This transaction will not have any effect on UFJ Holdings capital ratios.

Off-balance Sheet Arrangements

In the normal course of its business, UFJ Holdings engages in several types of off-balance-sheet arrangements to meet the financing needs of its customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. The following table summarizes these commitments at March 31, 2003 and 2004 and September 30, 2004:

	At March 31,		At September 30,
	2003	2004	2004
		(in billions)	
Guarantees:			
Standby letters of credit and financial guarantees	¥ 1,479	¥ 1,388	¥ 4,325
Performance guarantees	515	268	289
Liquidity facilities	186	82	65
Derivative instruments		14	10
Guarantees for the repayment of trust principal	2,142	2,379	2,192
Liabilities of trust accounts	785	1,310	1,645
Total guarantees	5,107	5,441	8,526
Other off-balance-sheet instruments:			
Commitments to extend credit	19,038	20,552	25,987
Commercial letters of credit	299	196	262
Others	181	33	126
Total other off-balance sheet instruments	19,518	20,781	26,375
Total	¥ 24,625	¥ 26,222	¥ 34,901

See note 21 to UFJ Holdings consolidated financial statements for a description of the nature of UFJ Holdings 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 UFJ Holdings 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 UFJ

Holdings future cash requirements. Such risks are monitored and managed as a part of UFJ Holdings risk management system as set forth in Quantitative and Qualitative Disclosures about Credit, Market and Other Risk below.

UFJ Holdings maintains an allowance for losses on its off-balance sheet arrangements. This allowance is included in other liabilities. The allowance for losses on off-balance sheet credit instruments was ¥67 billion at March 31, 2003, ¥68 billion at March 31, 2004 and ¥62 billion at September 30, 2004.

Variable Interest Entities

Asset-backed Commercial Paper Conduits

The UFJ group administers several third-party owned finance companies, primarily commercial paper conduits, that purchase financial assets including loans as well as pools of trade or lease receivables from its customers. Assets purchased by these conduits are generally funded by issuing commercial paper, or partly by

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borrowings from the UFJ group or third parties. While customers generally continue to service the transferred receivables, the UFJ group underwrites, distributes and makes a market in commercial paper issued by the conduits, and also provides liquidity and credit support facilities to the entities. The UFJ group is not the primary beneficiary of these entities because it (together with its related parties) is not exposed to a majority of the expected losses due to the existence of third-party investments. As of September 30, 2004, the total assets of these entities amounted to ¥24,085.2 billion and the UFJ group was exposed to a maximum loss of ¥115.0 billion.

Investment Funds

The UFJ 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. Since the equity holders do not have the substantive decision-making power and they do not have kick-out rights on the investment manager, these investment funds are deemed to be variable interest entities. As of September 30, 2004 these investment funds had total assets of ¥14,705.2 billion and the UFJ group was exposed to a maximum loss of ¥495.7 billion.

Special Purpose Entities Created for Structured Financing

The UFJ group extends non-recourse asset-backed loans to special purpose entities, which hold beneficial interests in certain properties, to provide financing for the securitization of existing real estate properties held by the UFJ group s customers and development projects including real estate development and natural resource development managed by third parties, who are typically the equity owner of the special purpose entities. The UFJ group generally acts as a member of a lending group, and is not exposed to a majority of the expected losses of these entities. As of September 30, 2004, these entities had total assets of ¥18,166.8 billion and the UFJ group was exposed to a maximum loss of ¥494.3 billion.

Trust Products

In addition to the above entities, the UFJ 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 UFJ group manages and administers the assets on behalf of the customers in an agency, fiduciary and trust capacity. In principle, the UFJ group does not assume risks associated with the entrusted assets, which are borne by the customers, although in limited cases the UFJ group may assume risks through guarantees or certain protections as provided in the trust agreement. The UFJ group, however, is not a primary beneficiary of these trusts because the majority of the risks and rewards belongs to the holders of beneficiary certificates, and the guarantees and protections are called upon only in limited circumstances.

Project Finance and Other Financing Entities

Further, the UFJ group extends credits, along with other financial institutions, to numerous financing entities that provide project finance or financing on an acquisition of an aircraft or large commercial vessel. The source of repayment by the entities is primarily the lease payments from the lessee. In this type of arrangement, the lessee generally assumes the risks and rewards of the entity, and the UFJ group extends loans based on the credit quality of the lessee, as the UFJ group does not participate in the economics of the assets being financed by the entity.

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Contractual Cash Obligations

In the normal course of its business, UFJ Holdings enters into contractual agreements whereby it commits to future purchases of products or services from unaffiliated parties. The following table summarizes UFJ Holdings 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 and negotiable certificates of deposit	¥ 22,002	¥ 3,737	¥ 872	¥ 204	¥ 26,815
Long-term debt	381	1,140	822	1,781	4,124
Capital lease obligations	9	14	7	4	34
Operating lease obligations	4	7	5	10	26
Total	¥ 22,396	¥ 4,898	¥ 1,706	¥ 1,999	¥ 30,999

Non-exchange Traded Contracts Accounted for at Fair Value

UFJ Holdings uses non-exchange traded or over-the-counter contracts 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 gains (losses) net in UFJ Holdings 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 periods indicated:

	Fiscal year ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in millions)			
Net fair value of contracts outstandings at beginning of period	¥ 38	¥ 1,269	¥ 1,269	¥ 2,898
Changes attributable to contracts realized or otherwise settled during the period	629	1,325	173	348
Fair value of new contracts when entered into during the period	1,350	2,162	1,294	457
Other changes in fair value, principally revaluation at end of period	(748)	(1,858)	(427)	(738)
Net fair value of contracts outstandings at end of period	¥ 1,269	¥ 2,898	¥ 2,309	¥ 2,965

During the fiscal years ended March 30, 2003 and 2004 and the six months ended September 30, 2003 and 2004, the fair value of non-exchange traded contracts increased primarily due to an increase in the volume of transactions required to meet customers demands and cover customers

transactions.

The following table summarizes the maturities of non-exchange traded contracts at September 30, 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	¥ 0	¥ 13
Maturity less than 3 years and more than or equal to 1 year	158	
Maturity less than 5 years and more than or equal to 3 years	1,111	(1)
Maturity 5 years or more	1,684	
Total fair values	¥ 2,953	¥ 12

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Quantitative and Qualitative Disclosures about Credit, Market and Other Risk

As a purveyor of a broad range of financial services, the UFJ group, in the process of conducting its business activities, takes on various forms of risk, including credit risk, market risk, funding liquidity risk and operational risk. The UFJ group s objective is not to avoid exposure to risk, but rather to control risk exposure in an appropriate and efficient manner. From this standpoint, the UFJ group s philosophy regarding risk management is to identify, control and manage individual as well as aggregate risks appropriately under an effective internal control framework so as to preserve the group s capital base and promote the group s operating efficiency.

The UFJ Holdings board of directors, which functions as a decision-making and management supervisory body, approves fundamental guidelines governing all risk management, compliance and internal audit activities and periodically reviews these guidelines. At UFJ Holdings, the group risk management committee, risk management department and compliance department serve as the primary system of checks for the execution of business activities, and the internal audit department provides a secondary check. To heighten the effectiveness of these control functions, a group audit committee has been established as a sub-committee of the board of directors of UFJ Holdings. This committee is charged with monitoring the status of the UFJ group s internal control systems.

Each UFJ group company maintains and refines its respective risk management and compliance frameworks, which are structured to reflect the unique nature of each company s activities, while complying with the key policies and guidelines set by UFJ Holdings. Group companies must first consult with UFJ Holdings with regard to items of particular importance, such as those with the potential to have a material impact on the operations of the group. Group companies regularly submit reports on their risk exposure and compliance issues to UFJ Holdings.

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Risk Management Organization

The following chart shows the risk management framework of the UFJ group:

To ensure proper implementation of risk management activities throughout the group, the UFJ group has established a risk management organization and functions, and assigned particular roles and responsibilities for each type of risk management. The following organizations and functions have been established at UFJ Holdings, UFJ Bank and UFJ Trust Bank.

Executive Officer Responsible for Risk Management

The executive officer in charge of risk management is responsible for identifying and monitoring individual and total risks taken on by the three companies, as well as for the appropriate management of that risk. This officer is also responsible for submitting risk reports to senior management and, as necessary, making risk management recommendations. The officer s responsibilities also include monitoring risk capital management.

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Risk Management Committee

Risk management committees at each company provide advice to the executive officer for risk management so as to ensure appropriate management of the relevant risks. At UFJ Holdings, for example, the group risk management committee discusses risk management issues at the group level.

Risk Management Department

At UFJ Holdings, the risk management department monitors and manages all types of risk, including credit risk, market risk, funding liquidity risk and operational risk, at the group level. It has responsibility to articulate the risk management framework, policy and procedures for group-wide risk management activities.

At UFJ Bank, the risk management department supervises and coordinates risk management activities for the bank, and there are sections in charge of risk management dedicated to the management of each type of risk.

At UFJ Trust Bank, the risk management department supervises and coordinates risk management activities. The asset management supervision office, which is part of this department, manages risks associated with UFJ Trust Bank s fiduciary duty as trustee for trust accounts. The credit planning department office, which is also a part of the department, manages risks associated with credit-related transactions.

Crisis Management

In addition to normal risk management activities, the UFJ group conducts crisis management separately. A crisis is regarded as an extreme risk event that can potentially cause critical damage to the operations of the UFJ group, financially and/or physically. The UFJ group has established a core policy and set clear standards to deal with crisis events.

The crisis management framework is designed to minimize the impact of a crisis on the UFJ group s customers and the markets. It is also intended to minimize business disruptions, restore normal operations smoothly and implement effective contingency planning. Crisis management oversight at the group level is the responsibility of the group crisis management committee at UFJ Holdings. At each of the major group companies, a crisis management committee is responsible for crisis management oversight. Each company has set its contingency plans which cover natural catastrophes, system failures and other potential crises, and performs periodic drills to improve the effectiveness of contingency plans.

Integrated Management of Risk and Return

The UFJ group utilizes an integrated management framework for the purpose of maintaining the proper balance between the risks and returns associated with its business activities. The risk capital management framework, which controls risk in individual business activities, is implemented in a uniform manner at UFJ Bank, UFJ Trust Bank and other major group companies.

Risk Capital Management

Risk capital management is used to control the scale of specific business activities that entail risk by allocating a suitable amount of risk capital. This process is a means of verifying and monitoring the capital adequacy of the group as well as of providing a warning when the risk of degradation in capital increases. The risk capital management framework provides a supplementary means of ensuring financial soundness.

The amount of allocated risk capital is determined based on the maximum possible loss that could result from the risk factors associated with each business. As a key index to integrate risk and return, risk capital

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calculations provide the basis for a variety of management information. Specifically, capital adequacy is verified by monitoring the sum of utilized risk capital and the allocated risk capital compared to the actual available stockholders equity. The usage of risk capital by each business unit is monitored against the allocated risk capital. By allocating risk capital to each business unit, the UFJ group ensures that the scale of each business unit remains within the scope of the group s financial resources and that each unit seeks to generate earnings that are commensurate with the associated risks.

Allocation of Risk Capital and Profitability Indicators

Risk capital also provides the basis for calculating business unit performance indicators such as the risk-adjusted profit ratio and economic profit. In this manner, risk capital calculations play a key role in the efficient operation of business activities. Numerical plans for risk capital allocation and profitability indicators are determined by the board of directors as part of a comprehensive management plan.

Credit Risk Management

The UFJ group conducts credit risk management not simply for the purpose of avoiding credit risk, but to take on suitable risk in relation to the group s financial strength and to maintain adequate coverage and profitability relative to the level of risk.

UFJ Holdings and UFJ Bank received administrative actions from the Financial Services Agency in June 2004 relating to their internal control frameworks based in part on inadequacies in procedures to manage credit risk. UFJ group s management regards this action as a matter of the utmost importance. The UFJ group s management has taken initiatives to strengthen its credit risk management framework to prevent a reoccurrence of this problem and restore confidence.

Organization and Framework

Credit risk management and monitoring at the group level are performed by UFJ Holdings. The results of monitoring activities are reported periodically to the board of directors, the group management committee and senior management.

UFJ Bank and UFJ Trust Bank each conducts credit risk management suited to the characteristics of its portfolio. These programs are implemented in accordance with group-wide policies and standards. The two banks have a unified credit policy and standards for credit rating, country rating, self-assessment and credit risk quantification. UFJ Holdings monitors the combined portfolio and credit risk management of the two banks. UFJ Holdings provides guidance and advice for making decisions regarding important credit risk issues.

UFJ Bank established in June 2004 a new credit risk management committee to strengthen risk management systems. Made up of experts from outside the UFJ group, this committee examines the suitability of regulations, standards and other items involving credit risk. The committee s recommendations are then considered in decisions reached by the board of directors and other management bodies regarding credit risk management.

Credit Rating Framework

The credit rating system is the basis for all credit risk management activities. Under this framework, the financial status of current and prospective borrowers is evaluated from three perspectives. First is safety, which includes an evaluation of the borrower s equity ratio, retained earnings to total assets ratio, debt to total assets and capacity for additional financing. Second is profitability, which includes an assessment of the borrower s earnings before tax ratio and earnings before interest, tax, depreciation and amortization ratio. Third is the ability to repay debts and the length of the period necessary for repayment. In addition to these quantitative measures, credit ratings include qualitative assessments of factors such as a company s base of operations and the condition of the entire industry. The result is the assignment of a credit rating on a scale of one to ten. Including

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subdivisions, there are 16 ratings in total. Ratings undergo an annual ordinary review as well as additional reviews depending on changes in a borrower s status. This system makes it possible to monitor the current status of individual borrowers and strengthen credit assessment capabilities, both of which are crucial for credit risk management. Furthermore, the credit rating system is the foundation for management systems that utilize the quantification of credit risk. The following table sets forth the credit rating categories:

Rating		Borrower Category	Classification under the Financial Reconstruction Law
1A			
1B	Excellent		
1C			
2	Prime		
3	Good	Normal	Normal
4	Above Standard		
5	Standard		
6	Below Standard		
7	Acceptable		
8A	Special Mention		
8B	Past Due 1 Month or More	Special Mention	
8C	Past Due 3 Months or More		Sub-Standard
8D	Restructured		
9	Doubtful	Doubtful	Doubtful
10A	Quasi-Bankrupt	Quasi-Bankrupt	Bankrupt and Quasi-Bankrupt
10B	Bankrupt	Bankrupt	

These credit ratings are also designed to conform to the Japanese regulatory authorities requirements for the self-assessment of the financial condition of borrowers and risk grading standards for classified loans. The second and third columns of the table above shows how the UFJ group s internal ratings correlate to the self-assessment and risk grading standards.

Self-assessments of borrowers are, as a rule, conducted at the end of each fiscal period and the results are reported to senior management. The primary assessment is performed by the branch office or head office division responsible for the client relationship. A secondary assessment is performed by credit administration departments. Self-assessments are also examined by the internal audit department, which is independent of the departments engaged in the business promotion and credit administration.

Quantifying risk entails the use of statistical analysis of the credit portfolio to calculate expected future losses, which correspond to the risk exposure, related to the inability of borrowers to meet their obligations. Using historical financial data about borrowers to obtain a default probability for each credit rating category, the distribution of probable losses is then calculated based on simulations. From these computations, the group obtains two figures expressing the total risk of the portfolio. One is the average expected loss, which represents the average expected loss that may be incurred over a one-year period. The other is the maximum loss, which is the largest possible loss that may occur over the same one-year period.

These estimates cover loans, guarantees, foreign exchange assets, off-balance-sheet transactions, bonds and other items. Furthermore, they are applicable to domestic and foreign corporations, individuals and financial institutions. The main advantage of this quantification process is the ability to determine the precise effects of concentrating and diversifying credit risk.

Country Rating Framework

Country rating measures the risk of a change in the status of credit caused by political, economic or social developments in a country. Such potential changes include the inability to remit funds, losses on foreign

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exchange movements, defaults, interest rate reductions, debt forgiveness and other events. There are eight grades in country rating, and ten altogether, including subdivisions. Country rating is an important risk measuring system at the UFJ group for managing the concentration of credit risk, establishing country ceilings, and monitoring and analyzing the quality of the overall overseas portfolio.

Portfolio Risk Management

Risk exposure is also evaluated on a single portfolio basis. This makes it possible to search for any excessive concentration of risk based on such parameters as individual borrowers, industries and regions. To prevent such concentrations and to diversify credit risk, the UFJ group establishes credit limits for each borrower, industry and country.

Credit Management System

A risk and cost adjusted return, or RACAR, is calculated for each loan and customer by deducting the expected credit losses, which is the average expected loss, and other operational costs from the gross revenues. RACAR is then used to set lending rates that account for the associated risks and cost of each loan.

Credit Risk Capital Management

The average expected loss, a figure that should be covered by revenues, is deducted from the maximum loss to yield the credit risk exposure, or unexpected loss, that should be covered by capital. This exposure is then monitored so as to remain within the allocated credit risk capital under the risk capital management framework described above. In addition, credit risk capital is used as a performance indicator to achieve the optimum balance between risk and return.

Market Risk Management

Market risk is the risk that the value of the UFJ group s assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices, or foreign exchange rates.

Market Risk of Derivative Financial Instruments and Hedging Activities

In the normal course of business, the UFJ group enters into derivative transactions involving various types of instruments, such as interest rate derivatives, currency derivatives, bonds and equity derivatives, commodity derivatives, credit derivatives and weather options.

Low transaction costs and ease of entering into derivative contracts provide the end users of derivatives with tools to manage market risks in a particular transaction within certain established limits. The UFJ group actively provides derivatives instruments to its customers, and also engages in derivative transactions to manage its own market risks and for trading purposes within pre-approved risk limits.

The UFJ group enters into transactions for trading purposes in order to earn profit from price differences based on market forecasts as well as short-term market movements among the derivative and underlying instrument markets. In addition, the UFJ group enters into covered trades and regular trades in order to assist its customers to manage their risk exposures and meet their trading needs, respectively. The UFJ group also enters into back-to-back derivatives with other financial institutions to cover exposures arising from such customer transactions. In some cases, the UFJ group structures specialized derivative products in order to meet the various needs of its customers. Such transactions incur market risk as the UFJ group takes trading positions and trades for the purpose of making profits.

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The UFJ group enters into transactions for non-trading purposes in order to manage its market risk within established limits. It conducts these transactions primarily for the following purposes:

- achieving stable mid- and long-term interest income;
- managing asset and liability interest rate exposures with a combination of on-balance sheet transactions or as a supplement to on-balance sheet transactions to modify interest rate characteristics of various balance sheet accounts; and
- hedging purposes to manage interest rate and equity.

Non-trading activities also include derivatives embedded in other contracts, including loans and deposits, covered transactions against those embedded derivatives and transactions controlling credit risk of certain assets.

Hedging transactions are referred to as designated hedges when the hedged items and hedging instruments are specifically identified. They are typically conducted by means of interest rate swaps and other derivatives as hedges of interest-bearing assets and liabilities, such as long-term fixed rate loans, deposits, bonds, borrowed money and other instruments. The UFJ group primarily uses interest rate derivatives to manage the fluctuation due to risk of interest rate changes in its exposures. The UFJ group evaluates the effectiveness of the hedges at inception by matching the principal, maturity, and interest rate index of the hedging instruments with the hedged items. The UFJ group assesses hedge effectiveness semiannually. While certain of these derivatives are intended to be effective as economic hedges, they do not qualify for hedge accounting under U.S. GAAP primarily because they do not meet hedge documentation requirements. Accordingly, they are accounted as trading derivatives in UFJ Holdings consolidated financial statements.

Derivative instruments may expose the UFJ group to market risk in excess of the amounts recorded on the balance sheets. Market risk arises from changes in market price, interest rate and foreign exchange rate that may result in decreases in the market values of financial instruments as well as increases in funding costs. The UFJ group manages its exposures to market risk through trading position limits and other internal risk control mechanisms and by entering into hedging transactions.

Market Risk Management Framework

UFJ Bank and UFJ Trust Bank have risk management departments that are independent of front-office activities and are responsible for the objective monitoring of market risk in accordance with systematic and comprehensive risk management policy and procedures. The main objectives are to ensure the efficient allocation of resources and preserve a highly responsive market risk management framework. Furthermore, these departments conduct research to add risk management systems for new financial instruments and introduce more sophisticated risk management tools.

Risk exposure, performance and other items related to the market risk monitoring process are reported on a daily basis by the risk management department to the UFJ Holdings executive officer in charge of risk management. The risk management-related committees of UFJ Holdings and the two banks discuss market risk management activities and implement specific measures to ensure the effectiveness of these frameworks.

The UFJ group has established limits for market risk exposure and losses. Managing these limits enables the group to keep market risk exposure and possible unexpected losses within the amount of applicable risk capital.

In addition to these market risk limits, a warning-line guideline with regard to the performance of equity holdings and other investment activities in the banking book has been established and is monitored daily at UFJ group banks. This guideline is created to deal with the risk of a decline in the group s equity to a level that would hinder operations in subsequent fiscal years. At the group level, UFJ Holdings monitors a similar guideline within its risk capital management framework. This creates a mechanism whereby a warning can be sent to senior management when needed.

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Market Risk Measurement

The UFJ group employs Value at Risk (VaR) a means of calculating the maximum expected loss with a one-day holding period and one-tailed confidence interval of 99% as its common yardstick to measure market risk in the trading book. To supplement VaR methodology, the group performs a variety of other forms of risk analysis. Among them are stress tests that assume extreme market volatility, interest rate sensitivity analysis, scenario analysis and earnings-at-risk (EaR) measurements for ALM.

Two methods are employed to measure VaR at the UFJ group. With the historical simulation method, VaR is calculated by performing simulations based on past market volatility data. With the variance-covariance method, VaR is calculated based on the assumption that the markets will fluctuate in relation to its statistical standard deviation. UFJ Bank employs the historical simulation method, while UFJ Trust Bank employs the variance-covariance method. Risk exposure in all markets was calculated based on a one-day holding period, a one-tailed confidence interval of 99%, and a three-year look-back period for UFJ Bank and a two-year period for UFJ Trust.

Illustration of Market Risks in the Fiscal Year Ended March 31, 2004

Trading activities

The VaR for UFJ Bank s and UFJ Trust Bank s 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 was slightly higher compared to that as of March 31,2003. As of March 31, 2004, market risks related to foreign exchange rate and equities decreased slightly, while interest rate risks increased. On a daily average basis, total amount of VaR decreased, together with risks related to foreign exchange rate and interest rate.

VaR for Trading Activities (UFJ Bank)	**(April 2002 March 2003)**			
	Daily avg	**High**	**Low**	**March 31, 2003**
Risk category:				
			(in billions)	
Interest rate	¥ 2.15	¥ 4.13	¥ 1.10	¥ 1.44
Foreign exchange	0.79	1.93	0.21	0.44
Equities	0.37	1.01	0.11	0.62
Others	0.04	0.08	0.01	0.02
Diversification effect	(1.07)			(0.78)
Total	¥ 2.28	¥ 3.85	¥ 1.30	¥ 1.74
VaR for Trading Activities (UFJ Trust Bank)			**(in millions)**	
Total	¥ 6	¥ 14	¥ 3	¥ 4

VaR for Trading Activities (UFJ Bank) **(April 2003 March 2004)**

Risk category:	Daily avg	High	Low	March 31, 2004
		(in billions)		
Interest rate	¥ 1.64	¥ 3.46	¥ 0.45	¥ 2.76
Foreign exchange	0.56	1.14	0.21	0.33
Equities	0.30	0.93	0.16	0.42
Commodities	0.02	0.07	0.00	0.00
Diversification effect	(0.90)			(1.20)
Total	¥ 1.62	¥ 3.56	¥ 0.58	¥ 2.31
VaR for Trading Activities (UFJ Trust Bank)		(in millions)		
Total	¥ 5	¥ 11	¥ 3	¥ 6

Note: Based on a 1-day holding period, with a confidence interval of 99%. UFJ Bank employs the historical simulation method based on 750 business days of historical data, while UFJ Trust Bank employs the variance-covariance method based on two 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.

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The average daily VaR by quarter in the fiscal years ended March 31, 2003 and 2004 was as follows:

Quarter (UFJ Bank)	Daily average VaR
	(in billions)
April - June 2003	¥ 2.32
July - September 2003	1.16
October - December 2003	1.15
January - March 2004	1.84
April June 2004	1.99
July September 2004	2.17

Quarter (UFJ Trust Bank)	
	(in millions)
April - June 2003	¥ 6
July - September 2003	7
October - December 2003	5
January - March 2004	5
April June 2004	7
July September 2004	7

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, the UFJ group s trading-related revenue was relatively stable, with positive trading-related revenue recorded for 204 of 248 trading days during the period. Furthermore, the amount of trading-related revenue per day was kept within a stable range, with 32 days of positive revenue and only five days of negative revenue exceeding ¥1 billion.

Backtesting

Backtesting is used to evaluate the accuracy of risk calculations by comparing the VaR with actual gains and losses over a specific period. The reliability of the risk measurement model can be verified if the number of times gains and losses exceed VaR is within the forecast range.

Stress Testing

The UFJ group calculates, on a daily basis, the predicted losses of its current positions in each market sector, applying the worst ten-day volatility recorded during the observation period of 750 business days for UFJ Bank and the worst one-day volatility recorded during an observation period of two years for UFJ Trust Bank. As of March 31, 2004, UFJ Bank held a total trading activity position of ¥10.3 billion of predicted loss of trading positions as compared to ¥9.1 billion as of March 31, 2003. UFJ Trust Bank held a total trading activity position of ¥0.1 billion of predicted loss of trading positions as of March 31, 2004, unchanged from March 31, 2003.

Non-trading Activities

VaR for risks related to the UFJ group s strategic equity portfolio as of March 31, 2004, based on a 10-day holding period, was ¥152.8 billion for UFJ Bank and UFJ Trust Bank on a simple combined basis, a ¥61.9 billion decrease from March 31, 2003. Risks related to the UFJ group s Yen-denominated bond portfolio was ¥157.1 billion, an increase from ¥61.1 billion resulting from a significant decrease in the UFJ group s equity portfolio and an increase in Yen-denominated bonds.

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The daily average VaR of the banking book of UFJ Bank and UFJ Trust Bank by quarter in the fiscal years ended March 31, 2003 and 2004 was as follows

Banking Book Equity Holdings (risk with a market value)

Quarter (UFJ Bank)	Daily average VaR (in billions)
April - June 2003	¥ 169.26
July - September 2003	169.63
October December 2003	165.89
January March 2004	146.06
April - June 2004	135.24
July - September 2004	154.71
Quarter (UFJ Trust Bank)	
April - June 2003	¥ 31.89
July - September 2003	35.66
October December 2003	30.88
January March 2004	30.04
April - June 2004	26.23
July - September 2004	25.33

Yen-Denominated Bond Holdings

Quarter (UFJ Bank)	Daily average VaR (in billions)
April - June 2003	¥ 42.97
July - September 2003	105.20
October December 2003	159.37
January March 2004	155.90
April - June 2004	149.89
July - September 2004	132.46
Quarter (UFJ Trust Bank: figures include bonds in foreign currency and investment trust portfolios)	
April - June 2003	¥ 9.11
July - September 2003	15.65
October - December 2003	20.43
January March 2004	22.54
April - June 2004	27.56
July - September 2004	24.92

Note: Based on a 10-day holding period, with a confidence interval of 99%. UFJ Bank employs the historical simulation method based on 750 business days of historical data, while UFJ Trust Bank employs the variance-covariance method based on two years of historical data.

Funding Liquidity Risk Management

To create a unified risk management framework for the entire group, the UFJ group has categorized the environment for fund procurement into four risk phases normal, caution, constrained and emergency depending on the probability that risks will actually materialize. The UFJ group s subsidiary banks have established clear management methods and action plans for each of these risk phases.

The UFJ group banks have separate liquidity management departments for yen and foreign currency procurement activities. Risk management-related departments are responsible for the comprehensive management of funding liquidity risk.

The UFJ group establishes limits for the estimated volume of funds that will need to be procured on the following business day and for other time periods. These limits prevent the group from developing an over-

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reliance on short-term funding. The group preserves adequate levels of cash flows and liquidity by holding a sufficient volume of Japanese government bonds, U.S. treasuries and other highly liquid instruments for fund procurement in the event of a crisis.

Action plans are in place to respond to changes in market conditions and other events. Contingency plans are activated in the event of instability in financial systems or other unforeseen problems, enabling the group to respond to a liquidity crisis immediately. In all, the group is adequately prepared for rapid changes in the operating environment.

Operational Risk Management

Operational risk management at financial institutions is becoming increasingly important due to the diversification of their products and services and the growing use of IT systems and networks. Further underscoring the importance of managing this risk are instances outside Japan of the fraudulent use of systems and, in Japan, large-scale system failures and related problems associated with the integration of banks and other events. In addition, due to regulatory demands, such as BIS capital requirements, banks are being required to apply increasingly sophisticated quantitative management techniques along with the existing management activities that are centered mainly on qualitative items.

The risk management department of UFJ Holdings is responsible for managing and monitoring operational risk for the entire group. The status of risk and other items are reported to senior management periodically at meetings of the board of directors, the group risk management committee and other management units. At UFJ Bank and UFJ Trust Bank, departments responsible for managing each category of risk monitor departments where processing risk, system risk and other categories of operational risk exist. Information gathered, along with risk indicators at major group companies, such as processing errors and IT system malfunctions, are reported periodically to senior management.

The UFJ group attempts to quantify operational risk based on scenarios using historical loss experience associated with processing risk, system risk and tangible asset risk (involving the occurrence of processing errors, accidents, computer malfunctions and damage to tangible assets) and by evaluating the nature of each process, system, asset or other item. Areas that require attention are identified and improvements made. Results of these analyses are also used to efficiently allocate resources among the group s operating activities.

Compliance

UFJ Holdings has a compliance department that prescribes and executes basic measures relating to compliance of all group companies. This department also monitors and oversees the compliance activities of group companies. In addition, each member of the group has a department that is in charge of compliance, providing a means of conducting compliance activities at each company. Important matters at group companies are reported to the compliance department of UFJ Holdings so that the entire group can respond to issues when necessary.

To provide a basic reference for compliance activities, a group compliance manual has been prepared that sets standards for behavior and rules applicable to everyone who works at the UFJ group. This manual is distributed to all employees of group companies. In addition, each group company prepares its own compliance manual containing rules specific to its operations that every employee should follow. This system makes it possible for employees to conduct their work in line with compliance rules that apply even more directly to their respective jobs.

To respond quickly and appropriately to new issues, the UFJ group is constantly taking steps to strengthen its compliance framework. One such initiative is the establishment of a whistle-blower system. The system is being established in order to prevent the occurrence of illegal actions taken by group employees and to identify

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and strengthen the group s ability to deal with illegal actions should they occur. The system involves the establishment of a hotline at the compliance departments of each group company, or outside the company. Such a system is already in place at UFJ Holdings, UFJ Bank, UFJ Trust Bank and other major group companies.

UFJ Holdings has also established a group audit committee as a sub-committee of its board of directors. The group audit committee is responsible for the oversight of internal management and compliance of all activities at UFJ Holdings and group companies. Members of this committee are non-executive directors and external specialists such as attorneys. To achieve an internal management system with a high degree of transparency, the committee examines and verifies the suitability of the UFJ group s internal management activities. Serious issues are reported to the board of directors.

Internal Audit

Internal audits are used to verify and evaluate internal control systems, including compliance and risk management, and to confirm that these systems are appropriate and effective. Based on these internal audits, reports and recommendations are submitted to the UFJ group s management, including managers in charge of corporate governance and senior executives who directly oversee operations.

UFJ Holdings has prepared an internal audits charter in which the purpose, authority and responsibilities for internal audit activities are defined. UFJ Bank, UFJ Trust Bank and all other group companies conduct their auditing activities in conformity with this charter. UFJ Holdings has an internal audit department overseen by an executive officer who has no other responsibilities. This department supervises, monitors and evaluates the internal audit functions of the entire group and performs audits of all departments at UFJ Holdings.

UFJ Bank and UFJ Trust also have internal audit departments overseen by senior executives who have no other responsibilities. These departments conduct audits of headquarters, branch offices, subsidiaries and other units. The internal audit departments monitor credit ratings, self-assessments, write-offs and reserves, and the process for calculating capital ratios. Audits are also performed to check compliance with relevant regulations, rules and procedures. At UFJ Bank, there are units under the direct supervision of the Internal Audit Department at offices in London, Singapore, Hong Kong and New York to ensure an effective internal auditing framework for overseas operations.

At UFJ Bank, an audit team dedicated exclusively to large borrowers has also been formed within the internal audit department to strengthen the system of checks and balances with regard to credit risk management for large borrowers. Furthermore, the internal audit departments at UFJ Bank and UFJ Trust Bank have been placed under the direct supervision of the respective audit and compliance committees to bolster their effectiveness. In addition, audit planning offices have been established under the supervision of the respective audit and compliance committees of UFJ Bank and UFJ Trust Bank. By managing and supervising internal audits, these offices are expected to help upgrade auditing functions.

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ADDITIONAL FINANCIAL INFORMATION FOR UFJ HOLDINGS

Due to close integration of foreign and domestic activities, it is difficult to make a precise determination of assets, liabilities, income and expenses of UFJ Holdings 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. UFJ Holdings management believes that the results appropriately represent UFJ Holdings domestic and foreign activities.

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I. Investment Portfolio

The following table shows information as to the value of UFJ Holdings investment securities available for sale at March 31, 2003 and 2004.

	At March 31,					
	2003			2004		
	Amortized cost	Estimated market value	Net unrealized gains (losses)	Amortized cost	Estimated market value	Net unrealized gains (losses)
	(in millions)					
Domestic:						
Japanese national government and agency bonds	¥ 10,474,855	¥ 10,605,293	¥ 130,438	¥ 13,528,628	¥ 13,564,072	¥ 35,444
Corporate bonds	1,155,393	1,177,761	22,368	1,890,146	1,912,250	22,104
Marketable equity securities	1,487,169	1,770,283	283,114	1,011,169	1,667,317	656,148
Other securities	448,987	469,338	20,351	385,029	391,143	6,114
Total domestic	13,566,404	14,022,675	456,271	16,814,972	17,534,782	719,810
Foreign:						
U.S. Treasury and other U.S. government agencies bonds	1,151,759	1,156,728	4,969	1,220,223	1,207,872	(12,351)
Other governments and official institutions bonds	681,562	737,795	56,233	614,720	611,528	(3,192)
Mortgage-backed and asset-backed securities	859,394	870,646	11,252	471,463	469,974	(1,489)
Other securities	217,716	238,967	21,251	257,265	282,892	25,627
Total foreign	2,910,431	3,004,136	93,705	2,563,671	2,572,266	8,595
Total	¥ 16,476,835	¥ 17,026,811	¥ 549,976	¥ 19,378,643	¥ 20,107,048	¥ 728,405

Nonmarketable equity securities presented in Other investment securities in the consolidated balance sheets are ¥171,031 million and ¥293,295 million at March 31, 2003 and 2004, respectively. UFJ Holdings monitors the status of each investee including the credit ratings and changes in UFJ Holdings share of net assets in the investees as compared with its share at the time of investment, to determine if any impairment losses are to be recognized.

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The following table presents the estimated market value, maturity and weighted average yield of available for sale debt investment securities at March 31, 2004. Weighted average yield is calculated based on amortized cost.

	Maturity within one year		Maturity after one year but within five years		Maturity after five years but within ten years		Maturity after ten years		Total	
	Estimated market value	Yield	Estimated market value	Yield	Estimated market value	Yield	Estimated market value	Yield	Estimated market value	Yield
	(in millions, except percentages)									
Domestic:										
Japanese national government and agency bonds	¥ 5,586,921	0.05%	¥ 3,389,032	0.75%	¥ 4,223,143	1.26%	¥ 364,976	0.55%	¥ 13,564,072	0.62%
Corporate bonds	146,460	1.59	1,244,863	0.77	500,967	0.67	19,960	1.41	1,912,250	0.81
Other debt securities	21,444	1.46	61,003	1.62	247,421	1.51	61,275	1.88	391,143	1.58
Total domestic	5,754,825	0.10	4,694,898	0.76	4,971,531	1.21	446,211	0.77	15,867,465	0.66
Foreign:										
U.S. Treasury and other U.S. government agencies bonds	534,971	1.25	504,268	2.02	98,847	3.73	69,786	6.25	1,207,872	2.06
Other governments and official institutions bonds	99,158	1.47	425,767	2.36	86,603	3.06			611,528	2.32
Mortgage-backed and asset-backed securities	252,785	2.73	1,295	0.95			215,894	4.90	469,974	3.72
Other debt securities	19,050	3.55	21,622	4.96	44,417	5.58	28,141	2.98	113,230	4.48
Total foreign	905,964	1.74	952,952	2.24	229,867	3.84	313,821	5.03	2,402,604	2.57
Total	¥ 6,660,789	0.32%	¥ 5,647,850	1.01%	¥ 5,201,398	1.33%	¥ 760,032	2.53%	¥ 18,270,069	0.91%

Excluding Japanese national government and agency bonds and U.S. Treasury and other U.S. government agencies bonds, the following table sets forth the securities of individual issuers held in UFJ Holdings investment securities portfolio that exceeded 10% of UFJ Holdings consolidated stockholders equity at March 31, 2004.

	Amortized cost	Fair value
	(in millions)	
German government bonds	¥ 358,437	¥ 358,372
French government bonds	198,281	195,016
Mortgage-backed securities issued by Federal National Mortgage Association	333,238	331,872
Toyota Motor Corporation	155,407	271,600
Nippon Shinpan Co., Ltd.*	201,585	209,973

*affiliated company

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II. Loan Portfolio

The following table shows UFJ Holdings loans outstanding, before deduction of allowance for loan losses, by domicile and type of industry of borrower at March 31, 2003 and 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,	
	2003	2004
	(in millions)	
Domestic:		
Manufacturing	¥ 5,848,096	¥ 5,370,456
Construction	1,587,462	1,282,612
Real estate	5,299,655	4,580,942
Services	3,722,414	3,178,511
Wholesale and retail	5,710,457	5,500,396
Banks and other financial institutions(1)	4,610,625	4,181,529
Other industries	4,465,021	5,830,848
Consumer:		
Mortgage loan	6,623,132	7,667,505
Other	5,804,241	5,231,207
Total domestic	43,671,103	42,824,006
Foreign:		
Governments and official institutions	150,359	119,281
Banks and other financial institutions(1)	79,291	131,831
Commercial and industrial	2,743,031	2,322,885
Other	44,499	33,675
Total foreign	3,017,180	2,607,672
Total	46,688,283	45,431,678
Less unearned income and deferred loan fees net	3,618	11,626
Total	¥ 46,684,665	¥ 45,420,052

Note: (1) Loans to 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, leasing, factoring and credit card businesses.

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Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the maturity of UFJ Holdings loan portfolio at March 31, 2004.

	Maturity			
	One year or less	One to five years	Over five years	Total
	(in millions)			
Domestic:				
Manufacturing	¥ 3,668,302	¥ 1,538,531	¥ 163,623	¥ 5,370,456
Construction	897,141	315,985	69,486	1,282,612
Real estate	2,183,788	1,588,472	808,682	4,580,942
Services	1,554,716	1,175,251	448,544	3,178,511
Wholesale and retail	3,922,133	1,327,546	250,717	5,500,396
Banks and other financial institutions	2,013,775	1,578,014	589,740	4,181,529
Other industries	3,470,527	1,784,569	575,752	5,830,848
Consumer:				
Mortgage loan	389,163	1,194,656	6,083,686	7,667,505
Other	1,816,359	961,169	2,453,679	5,231,207
Total domestic	19,915,904	11,464,193	11,443,909	42,824,006
Foreign	1,694,635	650,574	262,463	2,607,672
Total	¥ 21,610,539	¥ 12,114,767	¥ 11,706,372	¥ 45,431,678

As is customary in Japan, UFJ Holdings may roll over its working capital short-term loans after its normal loan review procedures. Such loans are classified as loans with maturity of one year or less in the above tables.

Loans due after one year classified by type of interest rate at March 31, 2004, are as follows:

	Domestic	Foreign	Total
		(in millions)	
Pre-determined rate	¥ 9,411,272	¥ 107,411	¥ 9,518,683
Floating or adjustable rate	13,496,830	805,626	14,302,456
Total	¥ 22,908,102	¥ 913,037	¥ 23,821,139

Non-accrual, Past Due and Restructured Loans

UFJ Holdings generally discontinues 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. Cash receipts on such non-accrual loans, for which the ultimate collectibility of principal is doubtful, are first applied as principal reductions; otherwise, such collections are credited to income.

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The following table shows the distribution of UFJ Holdings non-accrual loans, restructured loans which are on an accrual basis and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31, 2003 and 2004.

	At March 31,	
	2003	2004
	(in millions)	
Non-accrual loans:		
Domestic:		
Manufacturing	¥ 570,656	¥ 305,130
Construction	488,965	296,039
Real estate	2,277,751	1,390,574
Services	598,410	393,844
Wholesale and retail	1,280,103	1,103,333
Banks and other financial institutions	420,675	307,383
Other industries	703,446	611,193
Consumer	211,030	205,946
Total domestic	6,551,036	4,613,442
Foreign:		
Governments and official institutions	11,327	9,318
Banks and other financial institutions	1,280	766
Commercial and industrial	381,559	266,036
Other	9,353	16,285
Total foreign	403,519	292,405
Total non-accrual loans	6,954,555	4,905,847
Restructured loans (accruing):		
Domestic	186,549	156,145
Foreign	5,786	3,081
Total restructured loans (accruing)	192,335	159,226
Accruing loans contractually past due 90 days or more:		
Domestic	22,904	19,787
Foreign		7
Total accruing loans contractually past due 90 days or more	22,904	19,794
Total	¥ 7,169,794	¥ 5,084,867

Gross interest income which would have been accrued during the fiscal year ended March 31, 2004 at the original terms on domestic non-accrual and restructured loans outstanding at the end of the fiscal year is approximately ¥118.1 billion, of which ¥72.0 billion is included in the results of operations for the fiscal year. Gross interest income which would have been accrued during the fiscal year ended March 31, 2004 at the original terms on foreign non-accrual and restructured loans outstanding at the end of the fiscal year is approximately ¥8.7 billion, of which ¥5.6 billion is included in the results of operations for the fiscal year.

Potential Problem Loans

Potential problem loans are loans where known information about possible credit problems causes management to have concern as to the borrowers ability to comply with the present loan repayment terms. Interest continues to be accrued to the profit and loss account until, in the opinion of management, its ultimate recoverability becomes doubtful.

Management does not believe that there are any credits additional to the non-performing lending disclosed in the section above that meet the definition of potential problem loans as at March 31, 2003 and 2004.

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Cross-border Outstandings

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 in foreign countries 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, 2003 and 2004, UFJ Holdings has no cross-border outstandings to borrowers in any foreign country other than the United States of America, which in total exceed 0.75% of consolidated assets. Total cross-border outstandings to the United States of America was 1.76% of total assets at March 31, 2003 and 1.66% of total assets at March 31, 2004.

The following table shows the distribution by types of cross-border outstanding.

	At March 31,	
	2003	2004
	(in millions)	
United States of America		
Securities:		
Government and official institutions	¥ 810,762	¥ 1,152,070
Other corporates	453,824	106,165
Others	93,448	78,251
Total	¥ 1,358,034	¥ 1,336,486

Guarantees of cross-border outstandings of borrowers of other countries are considered to be cross-border 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. Cross-border outstandings of a country do not include principal or interest amounts that are supported by written, legally enforceable guarantees by guarantors of other countries or the amount of outstandings to the extent that they are secured by tangible, liquid collateral held and realizable by UFJ Bank, UFJ 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, which is the 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, UFJ Holdings establishes various risk management measures internally. Among other things, UFJ Holdings regularly monitors economic conditions and other factors globally and assesses country risk in each country where it has cross-border exposure. For purposes of monitoring and controlling its country risk, UFJ Holdings sets a country limit, which is the maximum amount of credit exposure for an individual country, in consideration of the level of country risk and UFJ Holdings ability to bear such potential risk. UFJ Holdings also determines its credit policy for each country in accordance with its country risk level and UFJ Holdings 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 UFJ Holdings senior management and are updated periodically.

Loan Concentrations

At March 31, 2004, there are no concentrations of loans to a single industry group of borrowers, as defined by The Bank of Japan industry segment loan classifications, that exceeded 10% of UFJ Holdings consolidated total loans, except for loans in a category disclosed in the table of loans outstanding above.

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Credit Risk Management

UFJ Holdings has a credit rating system, under which borrowers and transactions are graded consistently on a worldwide basis. UFJ Holdings calculates probability of default by statistical means and manages its credit portfolio based on this credit rating system. For a detailed description of this system and other elements of UFJ Holdings risk management structure, see Management s Discussion and Analysis of Financial Condition and Results of Operations of UFJ Holdings Quantitative and Qualitative Disclosures about Credit, Market and Other Risk Credit Risk Management.

III. Summary of Loan Loss Experience

The following table shows an analysis of UFJ Holdings loan loss experience for the fiscal years ended March 31, 2003 and 2004.

	March 31,	
	2003	**2004**
	(in millions)	
Allowance for loan losses at beginning of fiscal year	¥ 3,479,268	¥3,195,187
Provision for loan losses	511,898	313,124
Charge-offs:		
Domestic:		
Manufacturing	(88,270)	(148,299)
Construction	(93,882)	(76,429)
Real estate	(238,412)	(526,730)
Services	(105,017)	(105,687)
Wholesale and retail	(204,985)	(105,432)
Banks and other financial institutions	(6,350)	(31,566)
Other industries	(30,397)	(28,869)
Consumer	(111,049)	(113,547)
Total domestic	(878,362)	(1,136,559)
Total foreign	(18,789)	(12,299)
Total charge-offs	(897,151)	(1,148,858)
Recoveries(1):		
Domestic	93,384	76,663
Foreign	4,452	3,762
Total recoveries	97,836	80,425
Net charge-offs	(799,315)	(1,068,433)

Other changes(2)	3,336	(1,569)
Allowance for loan losses at end of fiscal year	¥ 3,195,187	¥2,438,309

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Allowance for loan losses applicable to foreign activities:

	March 31,	
	2003	2004
	(in millions)	
Balance at beginning of fiscal year	¥ 226,718	¥ 210,878
Balance at end of fiscal year	¥ 210,878	¥ 150,870
Provision for loan losses	¥ 1,208	¥ (49,679)

Notes:

(1) For the fiscal years ended March 31, 2003 and 2004, sufficient information was not available to enable UFJ Holdings to present recovery information by industry.
(2) Other changes primarily include foreign exchange translation.

The following table shows an allocation of UFJ Holdings allowance for loan losses at March 31, 2003 and 2004.

	At March 31,			
	2003		2004	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
	(in millions, except percentages)			
Domestic:				
Manufacturing	¥ 280,848	12.53%	¥ 173,136	11.82%
Construction	190,414	3.40	145,808	2.82
Real estate	1,088,293	11.35	518,191	10.08
Services	295,051	7.97	304,569	7.00
Wholesale and retail	482,685	12.23	557,882	12.11
Banks and other financial institutions	179,338	9.88	145,881	9.20
Other industries	274,254	9.56	306,450	12.84
Consumer	193,427	26.62	135,522	28.39
Foreign:				
Governments and official institutions	5,371	0.32	2,968	0.26
Banks and other financial institutions	1,833	0.17	927	0.29
Commercial and industrial	197,046	5.87	145,534	5.11

Other	6,627	0.10	1,441	0.08
Total	¥ 3,195,187	100.00%	¥ 2,438,309	100.00%
Allowance as a percentage of loans	6.84%		5.37%	
Allowance as a percentage of non-accrual and restructured loans and accruing loans contractually past due 90 days or more	44.56%		47.95%	

While the allowance for loan losses contains amounts allocated to components of specifically identified loans as well as a group on portfolio of loans, the allowance for loan losses is available for loan 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.

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IV. Deposits

The aggregate amounts of total deposits by foreign domiciled depositors included in domestic offices as of March 31, 2003 and 2004 are ¥1,228,217 million and ¥707,037 million, respectively.

At March 31, 2004, the balance and remaining maturity of time deposits and certificates of deposit issued by domestic offices in amounts of ¥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 the balance of 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	¥ 5,634,062	¥ 4,931,029	¥ 10,565,091
Over three months through six months	1,101,802	408,600	1,510,402
Over six months through twelve months	1,497,801	66,600	1,564,401
Over twelve months	1,391,541	15,000	1,406,541
Total	¥ 9,625,206	¥ 5,421,229	¥ 15,046,435
Foreign offices			¥ 1,728,760

V. Short-Term Borrowings

The following table shows short-term borrowings outstanding at March 31, 2003 and 2004.

	At March 31,	
	2003	2004
	(in millions, except percentages)	
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:		
Balance at end of fiscal year	¥ 5,729,183	¥ 4,618,116
Weighted average interest rate on balance at end of fiscal year	0.74%	0.39%
Maximum balance outstanding at any month-end during the fiscal year	5,729,183	7,785,037
Due to trust account:		
Balance at end of fiscal year	¥ 1,250,246	¥ 1,753,929
Weighted average interest rate on balance at end of fiscal year	0.48%	0.47%
Maximum balance outstanding at any month-end during the fiscal year	1,610,403	1,753,929

Other short-term borrowings:		
Balance at end of fiscal year	¥ 5,598,427	¥ 5,027,995
Weighted average interest rate on balance at end of fiscal year	0.18%	0.11%
Maximum balance outstanding at any month-end during the fiscal year	5,598,427	5,445,534
Total:		
Balance at end of fiscal year	¥ 12,577,856	¥ 11,400,040
Weighted average interest rate on balance at end of fiscal year	0.47%	0.28%
Maximum balance outstanding at any month-end during the fiscal year	12,577,856	14,957,064

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MANAGEMENT

Directors and Corporate Auditors of the Combined Entity

The first two tables below provide information about those of MTFG s current management who are expected to serve in the combined entity in the general capacities indicated. The next two tables provide information about those of UFJ Holdings current management who are expected to serve in the combined entity in the general capacities indicated. The compensation, benefits and other terms of employment of the persons who will serve as directors, executive officers and corporate auditors of the combined entity have not been determined, but their compensation levels, benefits and other terms of employment are currently not expected to change materially from general levels in prior years as a result of their election as directors, executive officers or corporate auditors of the combined entity. Specific capacities of the following individuals will be determined after the shareholders meetings of MTFG and UFJ Holdings.

From MTFG:

Directors

Name	Date of Birth	Position at Combined Entity	Number of MTFG Shares Owned as of March 31, 2005
Haruya Uehara	July 25, 1946	Director, Deputy Chairman and Chief Audit Officer	14
Nobuo Kuroyanagi	December 18, 1941	Director, President & Chief Executive Officer	27
Tatsunori Imagawa	October 15, 1943	Director, Deputy President and Chief Planning Officer	27
Hajime Sugizaki	April 3, 1945	Senior Managing Director and Chief Financial Officer	12
Yoshihiro Watanabe	July 26, 1947	Senior Managing Director and Chief Risk Management Officer	26
Shigemitsu Miki	April 4, 1935	Director	53
Kinya Okauchi	September 10, 1951	Director	7
Nobuyuki Hirano	October 23, 1951	Director	14
Ryotaro Kaneko	June 20, 1941	Director	0
Takuma Otoshi	October 17, 1948	Director	3

Corporate Auditors

Name	Date of Birth	Position at Combined Entity	Number of MTFG Shares Owned as of March 31, 2005

Setsuo Uno	April 29, 1942	Corporate Auditor (Full-time)	24
Takeo Imai	January 29, 1942	Corporate Auditor	0
Tsutomu Takasuka	February 11, 1942	Corporate Auditor	0

The aggregate compensation, including bonuses, paid by MTFG during the year ended March 31, 2005 to those of its directors, executive officers and corporate auditors expected to serve in the combined entity was ¥320 million.

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From UFJ Holdings:

Directors

Name	Date of Birth	Position at Combined Entity	Number of UFJ Holdings Shares of March 31, 2005
Ryosuke Tamakoshi	July 10, 1947	Chairman	19
Toshihide Mizuno	April 19, 1950	Senior Managing Director	21
Shintaro Yasuda	December 23, 1946	Director	19
Hirohisa Aoki	July 11, 1949	Director	12
Hiroshi Hamada	April 28, 1933	Director	0
Iwao Okijima	December 27, 1934	Director	2

Corporate Auditors

Name	Date of Birth	Position at Combined Entity	Number of UFJ Holdings Shares Owned as of March 31, 2005
Haruo Matsuki	April 25, 1948	Corporate Auditor (Full-time)	12

Kunie Okamoto, who was born on September 11, 1944 and held no shares of UFJ Holdings shares as of March 31, 2005, is also expected to serve as a corporate auditor of the combined entity.

The aggregate compensation, including bonuses, paid by UFJ Holdings during the year ended March 31, 2005 to those of its directors, executive officers and corporate auditors expected to serve in the combined entity was ¥84 million. Compensation for that period was lower than previous fiscal years because UFJ Holdings reduced by at least half compensation for all of its directors, executive officers and corporate auditors for a part of the period in response to administrative sanctions from the Financial Services Agency as discussed under Business Supervision and Regulation Administrative Sanctions Against the UFJ Group by the Financial Services Agency.

The following is a brief biography of the persons expected to serve as directors of the combined entity.

Ryosuke Tamakoshi has served as the president and chief executive officer of UFJ Holdings since June 2004, and as the chairman of UFJ Bank since May 2004. He served as a deputy president of UFJ Bank from May 2002 to May 2004, and as a senior executive officer of UFJ Bank from January 2002 to May 2002. He served as a senior executive officer of The Sanwa Bank, Limited from June 1999 to January 2002, and as a director of Sanwa Bank from June 1997 to June 1999.

Haruya Uehara has served as the chairman and co-chief executive officer of MTFG since June 2004, and as a director of MTFG since June 2003. He has also served as the president of Mitsubishi Trust Bank since April 2004. He served as 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. He 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 served as the president and chief executive officer of MTFG since June 2004, and as a director of MTFG since June 2003. He has also served as 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 of Bank of Tokyo-Mitsubishi from June 1996 to June 2001. He served as a director of Bank of Tokyo-Mitsubishi from April 1996 to June 1996 and as a director of The Mitsubishi Bank, Limited from June 1992 to April 1996.

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Tatsunori Imagawa has served as a director, deputy president and chief planning officer of MTFG since April 2004. He served as a senior managing director and chief planning officer of MTFG from May 2003 to April 2004, and as a director of MTFG 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. He served as a director of Bank of Tokyo-Mitsubishi from April 1996 to May 1997 and as a director of The Mitsubishi Bank, Limited from June 1993 to April 1996.

Hajime Sugizaki has served as a senior managing director and chief financial officer of MTFG since April 2004. He has also served as a director of Bank of Tokyo-Mitsubishi since June 2004. He served as a director of MTFG from April 2001 to March 2004. He served as a senior managing director of Mitsubishi Trust Bank from June 2001 to March 2004, as a managing director of Mitsubishi Trust Bank from June 1999 to June 2001, and as a director of Mitsubishi Trust Bank from June 1997 to June 1999.

Yoshihiro Watanabe has served as a managing officer and deputy group head of the Integrated Corporate Banking Business Group of MTFG since April 2004. He has also served as a senior managing director of Bank of Tokyo-Mitsubishi since January 2005, and as the chief executive of the Global Corporate Banking Business Unit of Bank of Tokyo-Mitsubishi since May 2004. He served as a managing director of Bank of Tokyo-Mitsubishi from June 2004 to January 2005, and as a non-board member managing director of Bank of Tokyo-Mitsubishi from June 2001 to June 2004. He served as a managing director of Bank of Tokyo-Mitsubishi from May 2001 to June 2001, and as a director of Bank of Tokyo-Mitsubishi from June 1997 to May 2001.

Toshihide Mizuno has served as a director and senior executive officer of UFJ Holdings since June 2002 and as a director of UFJ Trust Bank since May 2004. He served as a director of UFJ Bank from June 2002 to October 2004, during which period he also served as a senior executive officer of UFJ Bank from May 2004 to July 2004. He served as a senior executive officer of UFJ Holdings from May 2002 to June 2002 and as an executive officer of UFJ Holdings from January 2002 to May 2002. He served as an executive officer of Sanwa Bank from May 2000 to January 2002.

Shigemitsu Miki has served as a director of MTFG since April 2001. He served as the president of MTFG from April 2001 to June 2004, during which period he also served as the chief executive officer of MTFG from April 2002 to June 2004, and as co-chief executive officer from April 2001 to April 2002. He has also served as 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 April 1996 to May 1997 and as a senior managing director of The Mitsubishi Bank, Limited from June 1994 to April 1996. He served as a managing director of Mitsubishi Bank from June 1989 to June 1994 and as a director of Mitsubishi Bank from June 1986 to June 1989.

Shintaro Yasuda has served as a director of UFJ Holdings since June 2004, and as the president of UFJ Trust Bank since May 2004. He served as a deputy president of UFJ Trust Bank from May 2003 to May 2004 and as a director and senior executive officer of UFJ Trust Bank from January 2002 to May 2003. He served as a senior executive officer of UFJ Holdings from April 2001 to January 2002, and as a managing director of Toyo Trust & Banking Co., Ltd., or Toyo Trust, from June 2000 to April 2001. He served as a senior executive officer of Toyo Trust from May 2000 to June 2000 and as an executive officer of Toyo Trust from June 1999 to May 2000. He served as a director of Toyo Trust from June 1998 to June 1999.

Hirohisa Aoki has served as a director and senior executive officer of UFJ Tsubasa Securities since June 2004. He served as a senior executive officer of UFJ Tsubasa Securities from June 2002 to June 2004, and as a senior executive officer of UFJ Capital Markets Securities Co., Ltd. from January 2002 to May 2002. He served as a senior executive officer of The Tokai Bank, Limited from April 2000 to January 2002, and as an executive officer of Tokai Bank from June 1998 to April 2000.

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Kinya Okauchi has served as a director of MTFG since June 2004. He has also served as a managing director of Mitsubishi Trust Bank since April 2003, and as a board member of Mitsubishi Trust Bank since March 2004. He served as a director of Mitsubishi Trust Bank from June 2001 to April 2003.

Nobuyuki Hirano has served as an executive officer and co-general manager of the Corporate Policy Division of MTFG since July 2004. He has also served as a non-board member director of Bank of Tokyo-Mitsubishi since June 2001 and as a general manager of the Corporate Planning Office of Bank of Tokyo-Mitsubishi since May 2004.

Hiroshi Hamada has served as a director of UFJ Holdings since June 2002. He has also served as the principal adviser of Ricoh Company Limited since June 2004. He served as the chairman of Ricoh from April 1996 to June 2004, during which period he also served as the chief executive officer of Ricoh from April 1996 to June 2003. He served as a corporate auditor of UFJ Holdings from April 2001 to June 2002. He served as the president of Ricoh from April 1983 to April 1996, and as a executive managing director of Ricoh from April 1981 to April 1983. He served as a managing director of Ricoh from June 1980 to April 1981, and as a director of Ricoh from May 1975 to June 1980.

Iwao Okijima has served as a director of UFJ Holdings since June 2004. He has also served as a senior advisor of Hino Motors Ltd. since June 2004, and as an advisor of Toyota Motor Corporation, or Toyota, since July 2002. He served as the chairman of the board of Hino Motors from June 2000 to June 2004, and as the chairman of the board of Koito Manufacturing Co., Ltd., from June 1999 to June 2003. He served as a director of Hino Motors from June 1999 to June 2000, and as a senior adviser of Toyota from June 1999 to July 2002. He served as a vice president of Toyota from August 1995 to June 1999, and as a senior managing director of Toyota from September 1992 to August 1995. He served as a executive managing director of Toyota from September 1990 to September 1992, and as a director from September 1985 to September 1990.

Ryotaro Kaneko has served as a director of MTFG since April 2001. He has also served as the president of Meiji Yasuda Life Insurance Company since January 2004. Mr. Kaneko served as the president of Meiji Life Insurance Company, or Meiji Life, from April 1998 to December 2003, and as a senior managing director of Meiji Life from April 1997 to April 1998. He served as a managing director of Meiji Life from April 1994 to April 1997, and as a director of Meiji Life from July 1991 to April 1994.

Takuma Otoshi has served as a director of MTFG since June 2004. He has also served as the president of IBM Japan, Ltd. since December 1999. He served as a managing director of IBM Japan from March 1997 to December 1999, and as a director of IBM Japan from March 1994 to March 1997.

The following is a brief biography of the person expected to serve as corporate auditors of the combined entity.

Setsuo Uno has served as a full-time corporate auditor of MTFG since June 2003. He has also served as a corporate auditor of Bank of Tokyo-Mitsubishi since June 2003. He served as a senior managing director of MTFG from April 2001 to June 2003, and as a managing director of Bank of Tokyo-Mitsubishi from May 1997 to March 2001. He served as a director of Bank of Tokyo-Mitsubishi from April 1996 to May 1997 and as a director of Mitsubishi Bank from June 1992 to April 1996.

Haruo Matsuki has served as a senior executive officer of UFJ Trust Bank since January 2002, during which period he served as a director of UFJ Trust Bank from January 2002 to September 2004. He served as a managing director of Toyo Trust from June 2001 to January 2002, and as

a senior executive officer of Toyo Trust from March 2001 to June 2001. He served as an executive officer of Toyo Trust from June 1999 to March 2001.

Takeo Imai has served as a corporate auditor of MTFG since April 2001. He has been a partner of the law firm Miyake, Imai & Ikeda since January 1972.

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Tsutomu Takasuka has served as a full-time corporate auditor of Bank of Tokyo-Mitsubishi since October 2004. He has also been a professor at Bunkyo Gakuin University since April 2004. He served as a partner at Tohmatsu & Co. from February 1990 to September 2002, and as a partner at Mita & Co. from June 1985 to February 1990.

Kunie Okamoto has served as the president of Nippon Life Insurance Company, or Nippon Life, since April 2005. He served as a senior managing director of Nippon Life from March 2002 to April 2005, and as a managing director of Nippon Life from March 1999 to March 2002. He served as a director of Nippon Life from July 1995 to March 1999.

The Combined Entity s Internal Committees

As part of a new corporate governance system, the combined entity will establish an internal audit and compliance committee, nomination committee and remuneration committee under its board of directors.

Internal Audit and Compliance Committee. The internal audit and compliance committee, a majority of which will be comprised of outside directors and specialists, will receive reports from the internal audit unit, deliberate important matters relating to internal audit and compliance and propose necessary improvement measures to the board of directors. The combined entity will also aim to enhance the effectiveness of its internal audits conducted by corporate auditors and internal audit functions by enhancing coordination between corporate auditors and the internal audit unit through the internal audit and compliance committee. Initially, the internal audit and compliance committee will be chaired by Hiroshi Hamada.

Nomination Committee. The nomination committee, a majority of which will be comprised of outside directors, will deliberate matters relating to the appointment and dismissal of directors of the combined entity and its bank subsidiaries, and make reports and propose necessary improvement measures to the board of directors of the relevant entities. Initially, the nomination committee will be chaired by Ryotaro Kaneko.

Remuneration Committee. The remuneration committee, a majority of which will be comprised of outside directors, will deliberate matters relating to the remuneration of directors of the combined entity and its bank subsidiaries, and make reports and propose necessary improvement measures to the board of directors of the relevant entities. Initially, the renumeration committee will be chaired by Takuma Otoshi.

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Managing Officers of the Combined Entity

The first table below provides information on those of MTFG s current management who are expected to serve as managing officers of the combined entity. The second table below provides information on those of UFJ Holdings current management who are expected to serve as managing officers of the combined entity.

From MTFG:

Name	Date of Birth	Position at Combined Entity	Number of MTFG Shares Owned as of March 31, 2005
Ryuichi Murata	April 12, 1948	Managing Officer, Group Head of Integrated Retail Banking Business Group	8
Toshio Goto	March 8, 1952	Managing Officer, Group Head of Integrated Trust Assets Business Group	7
Hajime Mita	December 15, 1950	Managing Officer, Deputy Group Head of Integrated Retail Banking Business Group	1
Norimichi Kanari	December 4, 1946	Managing Officer, Deputy Group Head of Integrated Corporate Banking Business Group	34
Noriaki Hanamizu	September 11, 1947	Managing Officer, Deputy Group Head of Integrated Corporate Banking Business Group	13
Akira Naito	September 20, 1951	Managing Officer, Deputy Group Head of Integrated Trust Assets Business Group	6

From UFJ Holdings:

Name	Date of Birth	Position at Combined Entity	Number of UFJ Holdings Shares of March 31, 2005
Takamune Okihara	July 11, 1951	Managing Officer, Group Head of Integrated Corporate Banking Business Group	16

The following is a brief biography of each person expected to serve as a managing officer of the combined entity.

Ryuichi Murata has served as a managing officer and group head of the Integrated Retail Banking Business Group of MTFG since April 2004. He has also served as a managing director of Bank of Tokyo-Mitsubishi since June 2003, and as the 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. He 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 of Bank of Tokyo-Mitsubishi from June 1998 to June 2001.

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Takamune Okihara has served as a director of UFJ Holdings since June 2004. He has also served as the president and CEO of UFJ Bank since May 2004. He served as a senior executive officer of UFJ Bank from May 2003 to May 2004 and as an executive officer of UFJ Bank from January 2002 to May 2003. He served as an executive officer of Sanwa Bank from March 2001 to January 2002.

Toshio Goto has served as a managing officer and group head of the Integrated Trust Assets Business Group of MTFG since April 2004. He has also served as a managing director of Mitsubishi Trust Bank since March 2004. He served as a non-board director of Mitsubishi Trust Bank from June 2002 to March 2004.

Hajime Mita has served as an executive officer of MTFG, 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 served as a non-board member director of Mitsubishi Trust Bank since June 2003, and as a general manager of the Retail Banking Planning and Development Division since October 2004. He served as a general manager of the Personal Banking Division of Mitsubishi Trust Bank from April 2003 to October 2004.

Norimichi Kanari has served as a senior managing director of Bank of Tokyo-Mitsubishi since January 2005 and as a managing director of Bank of Tokyo-Mitsubishi from June 2001 to January 2005, and as the chief executive of the UNBC Business Unit and the president and chief executive officer of UnionBanCal Corporation and Union Bank of California, N.A. since July 2001. He served as a director of Bank of Tokyo-Mitsubishi from June 1997 to June 2001.

Noriaki Hanamizu has served as a managing officer and deputy group head of the Integrated Retail Banking Business Group of MTFG since April 2004. He has also served as 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, and as a director of Mitsubishi Trust Bank from June 1998 to June 2001.

Akira Naito has served as a general manager of the Foreign Exchange & Treasury Division of Bank of Tokyo-Mitsubishi since May 2002 and as a non-board member director of Bank of Tokyo-Mitsubishi since June 2001.

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MAJOR SHAREHOLDERS OF MTFG

Common Stock

As of March 31, 2005, MTFG had 178,498 registered shareholders of common stock. The ten largest holders of MTFG common stock appearing on the register of shareholders as of March 31, 2005, 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)	346,815	5.29%
Master Trust Bank of Japan, Ltd.(1)	334,778	5.11
Hero & Co.(2)	222,329	3.39
Meiji Yasuda Life Insurance Company(3)	175,000	2.67
Nippon Life Insurance Company	125,052	1.91
Mitsubishi Heavy Industries, Ltd.(4)	118,740	1.81
State Street Bank and Trust Company 505103	114,658	1.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	112,013	1.71
State Street Bank and Trust Company	72,286	1.10
The Dai-ichi Mutual Life Insurance Company.	61,036	0.93
Total	1,682,707	25.70%

(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 MTFG.
(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.

As of March 31, 2005, 236 shares, representing less than 0.01% of MTFG outstanding common stock, were held by its directors and corporate auditors.

As of March 31, 2005, 901,699 shares, representing 13.77% of MTFG outstanding common stock, were owned by 247 U.S. shareholders of record who are resident in the United States, one of whom is the ADR depository s nominee holding 222,329 shares, or 3.39% of MTFG issued common stock.

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Preferred Shares

On October 1, 2004, MTFG redeemed 40,700 shares of the 81,400 outstanding shares of its class 1 preferred shares on a pro-rata basis at ¥3 million per share. On April 1, 2005, MTFG redeemed the remaining 40,700 shares of the class 1 preferred shares at ¥3 million per share.

The shareholders of MTFG class 3 preferred shares, which are non-voting, appearing on the register of shareholders as of March 31, 2005, 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	40,000	40%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	40,000	40
Nippon Life Insurance Company	20,000	20
Total	100,000	100%

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JAPANESE FOREIGN EXCHANGE AND CERTAIN OTHER REGULATIONS

Japanese Foreign Exchange Regulations

The Foreign Exchange and Foreign Trade Law of Japan and the cabinet orders and ministerial ordinances, collectively known as the Foreign Exchange Law, set forth, among others, the regulations relating to the receipt by non-residents of Japan of payment with respect to shares to be issued by MTFG and the acquisition and holding of shares by non-residents of Japan and foreign investors, both as defined below.

Non-residents of Japan are individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branches and offices of non-resident corporations which are located in Japan are regarded as residents of Japan while the branches and offices of Japanese corporations located outside Japan are regarded as non-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.

Dividends and Proceeds of Sale

Under the Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. The acquisition of MTFG shares by non-residents by way of a stock split is not subject to any notification of reporting requirements.

Acquisition of Shares

In general, a non-resident who acquires shares from a resident of Japan is not subject to any prior filing requirement, although the Foreign Exchange Law empowers the Minister of Finance of Japan to require a prior approval for any such acquisition in certain limited circumstances.

If a foreign investor acquires shares of MTFG, and, together with parties who have a special relationship with that foreign investor, holds 10% or more of the issued shares of MTFG as a result of such acquisition, the foreign investor must file a report of such acquisition with the Minister of Finance and any other competent Minister within 15 days from and including the date of such acquisition. In certain limited circumstances, however, a prior notification of such acquisition must be filed with the Minister of Finance and any other competent Minister, who may modify or prohibit the proposed acquisition.

Reporting of Substantial Shareholdings

The Securities and Exchange Law of Japan requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the director of a competent finance bureau within five business days a report concerning such shareholdings.

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A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding ratio or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, share issuable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights (including those incorporated in bonds with 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 such report must also be furnished to the issuer of such shares and 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.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Commercial Code of Japan or MTFG s articles of incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to MTFG or under its articles of incorporation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on MTFG shares.

There is no provision in MTFG s articles of incorporation or by-laws that would have an effect of delaying, deferring or preventing a change in control of MTFG and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving MTFG.

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DESCRIPTION OF COMMON STOCK

Resolutions to amend MTFG s articles of incorporation and share handling regulations will be proposed and subject to vote at the general meeting of MTFG shareholders to be held on June 29, 2005. The following description of MTFG s capital stock reflects those proposed resolutions. This section contains brief summaries of the material provisions of MTFG s articles of incorporation and share handling regulations, as well as relevant provisions of the Commercial Code of Japan as currently in effect. This description of MTFG common stock reflects the proposed resolutions to amend MTFG s articles of incorporation that will be subject to vote at the general meeting of MTFG shareholder to be held on June 29, 2005. The detailed rights and terms of MTFG common stock are set out in the form of articles of incorporation of the surviving entity, which has been filed as an exhibit to the registration statement of which this prospectus is a part.

The following is a summary of the material provisions of MTFG s articles of incorporation, MTFG s 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 MTFG s articles of incorporation and share handling regulations.

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.

Upon the passing of the proposed resolutions, MTFG s authorized common share capital will be 33,000,000 shares of common stock with no par value. As of March 31, 2005, a total of 6,543,353 shares of common stock (excluding 2,898 shares of common stock held by MTFG as treasury stock) were issued. Each of the shares issued and outstanding is fully paid and non-assessable.

MTFG may issue shares from its authorized but unissued share capital following a resolution to that effect by MTFG s board of directors. An increase in MTFG s authorized share capital is only possible by amendment of its 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 MTFG, a shareholder must have its name and address registered on MTFG s register of shareholders, in accordance with MTFG s 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 MTFG, 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. If a holder is not a participating institution in the Japan Securities Depository Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Japan Securities Depository Center. All shares deposited with the Japan Securities Depository Center will be registered in the name of the Japan Securities Depository Center on MTFG s register of shareholders. Each participating shareholder will in turn be registered on MTFG s register of beneficial shareholders and be treated in the same way as shareholders registered on MTFG s 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.

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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 the Banking Law and MTFG s articles of incorporation, MTFG s financial accounts are closed on March 31 of each year, and dividends, if any, are paid to shareholders of record as of March 31 following shareholders approval at an ordinary general meeting of shareholders. In addition to year-end dividends, MTFG s 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, MTFG may distribute annual or interim dividends only if:

- MTFG has set aside in its legal reserve an amount equal to at least one-tenth of the annual dividend and any other amount paid by MTFG as an appropriation of retained earnings or of any interim dividend, as the case may be; or
- the sum of the amount in MTFG s legal reserve and additional paid-in capital is at least one-quarter of its stated capital.

MTFG may distribute annual or interim dividends out of the excess of its net assets, on a non-consolidated basis, over the aggregate of:

(1) MTFG s stated capital;

(2) MTFG s additional paid-in capital;

(3) MTFG s 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 MTFG s balance sheet;

(7) if assets are stated at market value on MTFG s 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 MTFG s balance sheet as a result of reevaluating land which it owns for business purposes.

In the case of interim dividends, if MTFG decrease MTFG s stated capital or MTFG s 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

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(c) if MTFG has been authorized, pursuant to a resolution of an ordinary general meeting of shareholders or the board of directors, to repurchase MTFG s own shares, the total amount of the repurchase price for those shares that may be paid by MTFG.

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 MTFG s articles of incorporation, MTFG is 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 MTFG s outstanding stock may be effected at any time by resolution of the board of directors. When a stock split is to be effected, MTFG may increase the amount of the authorized share capital to cover the stock split by amending its 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. MTFG 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 MTFG s register of fractional shares. Fractional shares will carry no voting rights, but, pursuant to the Commercial Code and MTFG s 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 MTFG to purchase the fractional shares at the shares current market price. Also, registered holders of fractional shares may require MTFG 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 MTFG owns the necessary number of its own shares.

Unit Share (tan-gen kabu) System

Currently, MTFG does not use the unit share (*tan-gen kabu*) system which was introduced on October 1, 2001. However, MTFG may use the unit share system by amending its articles of incorporation, which requires shareholders approval. Under the unit share system, a company may provide in its articles of incorporation that a unit comprises a specified number of shares that may not exceed 1,000 shares or one-two hundredth of the number of issued shares, whichever is smaller. The number of shares comprising a unit may vary for different classes of stock. A company may provide in its articles of incorporation that the company will not, as a general rule, issue certificates representing a number of shares less than a unit. Under the 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 MTFG adopts the unit share system, shareholders may require MTFG to purchase shares constituting less than a unit at the current

market price. MTFG s board of directors may reduce the number of shares constituting a unit or cease to use the unit share system by amendments to MTFG s articles of incorporation without shareholders approval even though amendments to the articles of incorporation generally require a special resolution of the general meeting of shareholders.

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General Meeting of Shareholders

The annual general meeting of MTFG s shareholders is usually held in June of each year in Chiyoda-ku, Tokyo. In addition, MTFG may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks advance notice to shareholders. The record date for annual general meetings of MTFG s 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 generally has one voting right for each whole share. The common shares stated below are not entitled to voting rights and such common shares are not counted in the number of shares when determining whether a quorum exists:

- treasury shares;
- shares held by a company in which MTFG, MTFG and its subsidiaries or MTFG s subsidiaries owns more than 25% of the total voting rights; and
- shares issued after the record date as a result of conversion of convertible stock, exercise of stock acquisition rights, conversion of convertible stock and fractional shareholders becoming a shareholder of a whole share.

On the other hand, holders of certain class of shares shall be entitled to voting rights at the ratio of one voting right for one preferred share; for example, when a proposal to pay the full amount of preferential dividends on any class of preferred shares in compliance with the terms of such preferred shares is not included in the agenda of the relevant shareholders meeting. See Description of Preferred Stock.

Under MTFG s articles of incorporation, except as otherwise provided by law or by other provisions of its 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 MTFG s articles of incorporation require a quorum of not less than one third of the total number of voting rights for election of MTFG s directors and corporate auditors.

The Commercial Code and MTFG s articles of incorporation provide that a quorum of not less than one-third of outstanding voting rights, excluding those owned by MTFG s subsidiaries and affiliates of which MTFG owns, directly or indirectly, more than 25 percent, must be present at a shareholders meeting to approve specified corporate actions, such as:

- the amendment of MTFG s 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 MTFG s 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

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- the repurchase of MTFG s 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.

Subscription Rights

Holders of shares have no preemptive rights under MTFG s articles of incorporation. Under the Commercial Code, however, MTFG s 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 MTFG s board of directors. If subscription rights are not transferable, a purported transfer by a shareholder will not be enforceable against MTFG.

Stock Acquisition Rights

MTFG 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 conditions, the issuance of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of MTFG s 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 MTFG s 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 MTFG s liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and preferred distributions to holders of shares of MTFG s preferred stock will be distributed among the holders of MTFG s common stock in proportion to the number of shares they own.

Transfer Agent

Mitsubishi Trust Bank is the transfer agent for MTFG s 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 MTFG s register of shareholders and MTFG s register of lost share certificates, and records transfers of ownership upon presentation of share certificates.

Reports to Shareholders

MTFG furnishes to its shareholders notices, in Japanese, of shareholders meetings, annual business reports, including financial statements, and notices of resolutions adopted at shareholders meetings.

Record Dates

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 MTFG s shareholders. September 30 is the record date for the payment of interim dividends, if any. In addition, by a resolution of MTFG s board

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of directors and after giving at least two weeks prior public notice, MTFG may at any time set a record date in order to determine the shareholders who are entitled to the rights pertaining to MTFG s shares.

Repurchase of MTFG s Shares of Common Stock

MTFG may repurchase its own shares:

- through the Tokyo Stock Exchange or other stock exchanges on which MTFG s 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 MTFG 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 MTFG also repurchase the shares held by that shareholder.

Repurchase of MTFG s own shares pursuant to an authorization of its 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 MTFG s 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 Description of Common Stock Dividends, MTFG may not repurchase its own shares. In case MTFG purchases its own shares pursuant to an authorization of MTFG s board of directors, MTFG is 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.

MTFG may hold its own shares so repurchased without temporal restrictions. In addition, MTFG may cancel or dispose of any MTFG shares that its holds by a resolution of MTFG s board of directors. As of March 31, 2005, MTFG owned 2,898 treasury shares.

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DESCRIPTION OF PREFERRED STOCK

The following is a summary description of MTFG preferred stock, including those classes of preferred stock that MTFG plans to newly issue as part of the merger in exchange for the class II, class IV, class V, class VI and class VII preferred shares of UFJ Holdings. This section contains brief summaries of the material provisions of MTFG s articles of incorporation as proposed to be amended subject to vote at the general meeting of MTFG shareholders to be held on June 29, 2005 and the share handling regulations to be adopted under the proposed form of articles of incorporation, as well as relevant provisions of the Commercial Code of Japan as currently in effect. The detailed rights and terms of MTFG preferred stock are set out in the form of articles of incorporation of the surviving entity, which has been filed as an exhibit to the registration statement of which this prospectus is a part.

The following description of preferred stock assumes both the proposed resolution to authorize three new classes of preferred shares (class 5, class 6 and class 7 preferred shares) and the proposed resolution to approve the merger will be approved at the general meeting of MTFG shareholders. If the proposed resolution to authorize the three new classes of preferred shares is not approved but the merger is approved by MTFG shareholders, the class 5, class 6 and class 7 preferred shares will not be authorized and the titles of the class 8, class 9, class 10, class 11 and class 12 preferred shares will be adjusted accordingly. The issuance of the class 8, class 9, class 10, class 11 and class 12 preferred shares is also subject to the approval of the merger by UFJ Holdings shareholders.

General

As of March 31, 2005, MTFG was authorized under its articles of incorporation to issue three classes of preferred stock totaling 321,400 shares of preferred stock, including 81,400 class 1 preferred shares, 120,000 class 3 preferred shares and 120,000 class 4 preferred shares. On April 1, 2005, MTFG redeemed all of the 40,700 class 1 preferred shares at ¥3,000,000 per share. As of April 1, 2005, MTFG had 100,000 class 3 preferred shares and no class 4 preferred shares issued. Upon the approval by MTFG shareholders of the proposed amendments to its articles of incorporation, MTFG will be authorized to issue the following classes of MTFG preferred stock:

- 120,000 class 3 preferred shares;
- 400,000 class 5 preferred shares;
- 200,000 class 6 preferred shares;
- 200,000 class 7 preferred shares;
- 200,000 class 8 preferred shares;
- 150,000 class 9 preferred shares;
- 150,000 class 10 preferred shares;

- 8 class 11 preferred shares; and

- 200,000 class 12 preferred shares.

All classes of MTFG preferred stock have equal preference over shares of common stock in respect of dividend entitlements and distribution upon liquidation, but holders of the preferred stock are generally not entitled to vote at general meetings of shareholders, subject to the exceptions provided under the Commercial Code of Japan or MTFG s articles of incorporation. With certain exceptions, MTFG may, at any time, purchase and redeem, at fair value, any shares of preferred stock outstanding out of earnings available for distribution to stockholders.

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Preferred Dividends

In priority to the payment of dividends to holders of MTFG common stock, the expected amount of preferred dividends payable each fiscal year for each class of MTFG preferred stock is set forth below.

- class 3 preferred shares: ¥60,000 per share
- class 5 preferred shares: to be set by resolution of MTFG s board of directors at the time of issuance, up to a maximum of ¥250,000 per share
- class 6 preferred shares: to be set by resolution of MTFG s board of directors at the time of issuance, up to a maximum of ¥125,000 per share
- class 7 preferred shares: to be set by resolution of MTFG s board of directors at the time of issuance, up to a maximum of ¥125,000 per share
- class 8 preferred shares: ¥15,900 per share
- class 9 preferred shares: ¥18,600 per share
- class 10 preferred shares: ¥19,400 per share
- class 11 preferred shares: ¥5,300 per share
- class 12 preferred shares: ¥11,500 per share

In the event that MTFG s board of directors decides to pay an interim dividend to record holders of MTFG common stock as of September 30 of any year, MTFG will, in priority to the payment of that interim dividend, pay a preferred interim dividend in the amount specified in its articles of incorporation to record holders of MTFG preferred stock as of September 30 of the same time. The amount of any preferred interim dividend will be deducted from the preferred dividend payable on the relevant class of MTFG preferred stock for the same fiscal year.

No preferred dividend will be paid on any MTFG preferred stock converted into MTFG common stock for the period from the date following the record date for the preferred dividend or preferred interim dividend last preceding the relevant conversion date to the relevant conversion date, but the common stock issued upon conversion will be entitled to receive any dividend payable to holders of record of common stock upon the last preceding record date for common stock dividends.

No payment of dividends on MTFG preferred stock or any other shares can be made unless MTFG has sufficient retained earnings and a resolution to distribute such retained earnings is obtained at the relevant ordinary general meeting of shareholders, in the case of annual preferred

dividends, or at the board of directors, in the case of preferred interim dividends.

Dividends on MTFG preferred stock are non-cumulative. If the full amount of any dividend is not declared on MTFG preferred stock in respect of any fiscal year, holders of MTFG preferred stock will not have any right to receive dividends in respect of the deficiency in any subsequent fiscal year, and MTFG will have no obligation to pay the deficiency or to pay any interest regardless of whether dividends are paid in respect of any subsequent fiscal year. The holders of MTFG preferred stock are not entitled to any further dividends or other participation in or distribution of MTFG s profits.

Liquidation Rights

In the event of MTFG s voluntary or involuntary liquidation, record holders of MTFG preferred stock are expected to be entitled, equally in rank as among themselves, to receive upon liquidation and before any distribution of assets is made to holders of MTFG common stock, a distribution out of MTFG s residual assets of:

- ¥2,500,000 per share of class 3 preferred shares,
- ¥2,500,000 per share of class 5 preferred shares,

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- ¥2,500,000 per share of class 6 preferred shares,
- ¥2,500,000 per share of class 7 preferred shares,
- ¥3,000,000 per share of class 8 preferred shares,
- ¥2,000,000 per share of class 9 preferred shares,
- ¥2,000,000 per share of class 10 preferred shares,
- ¥1,000,000 per share of class 11 preferred shares, and
- ¥1,000,000 per share of class 12 preferred shares.

The holders of MTFG preferred stock are not entitled to any further dividends or other participation in or distribution of MTFG s residual assets upon MTFG s liquidation.

Voting Rights

General Meetings

No holder of MTFG preferred stock 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 of Japan, MTFG s articles of incorporation or other applicable law. Under the Commercial Code of Japan and MTFG s articles of incorporation, holders of MTFG preferred stock will be entitled to receive notice of, and have one voting right per preferred share at, MTFG s general meetings of shareholders:

- from the commencement of MTFG s 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.

In each case, holders of MTFG preferred stock will be entitled to receive notice of and vote at the relevant general meetings of shareholders unless and until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

In the event that the special purpose trust that is the sole record holder of the class 11 preferred shares becomes entitled to vote at a general meeting of shareholders of MTFG, the voting rights pertaining to the class 11 preferred shares will be exercised by the trust in accordance with the instructions of the holders of preferred share units issued by that trust, on a pro rata basis. Holders who have not given their instructions in accordance with the trust deed will be deemed to have instructed the trustee to vote in favor of any resolution proposed by MTFG s board of directors.

Special Voting Rights

Under the Commercial Code of Japan, a separate resolution of a meeting of holders of each relevant class of MTFG preferred stock is required to be passed, in addition to a resolution of a general meeting of MTFG s shareholders, in order to approve:

- any amendment of MTFG s articles of incorporation that would prejudice the interests of the holder of such preferred stock, including the creation of any shares ranking, with regard to the order of participation in MTFG s assets on liquidation or otherwise, in priority to such preferred stock;

- except as specifically authorized in MTFG s articles of incorporation, any proposal to issue any class of shares with different rights relating to the subscription for new shares, the consolidation, division or retirement of shares, the allotment of shares upon any stock-for-stock exchange, stock-for-stock transfer,

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corporate split, or merger or the subscription for convertible bonds or bonds with stock acquisition rights or any proposal to subsequently vary any such rights, which would prejudice the interests of the holders of such preferred stock; or

- any stock-for-stock exchange, stock-for-stock transfer, corporate split, or merger which would prejudice the interests of the holders of such preferred stock.

Holders of the preferred stock will be entitled to one vote for each preferred share. A resolution of a meeting of the holders of each class of preferred stock shall be passed by two-thirds or more of the voting rights present or represented at such meeting, with a quorum of a majority of all outstanding preferred stock of the relevant class. The provisions of the Commercial Code of Japan relating to general meetings of shareholders shall in general apply equally to a meeting of the holders of the preferred stock.

If any event requiring a separate resolution of a meeting of holders of MTFG preferred stock occurs, the voting rights pertaining to the class 11 preferred shares will be exercised at a meeting of the holders of the class 11 preferred shares by the trustee, as the record holder of the class 11 preferred shares, in accordance with the instructions of the holders of the preferred share units (but holders who have not given their instructions in accordance with the trust deed will be deemed to have instructed the trustee to vote in favor of any resolution proposed by MTFG s board of directors), unless the trust has received an opinion of reputable Japanese or Bermuda counsel that the rights of the holder of the class 11 preferred shares with respect to dividends, liquidation distributions and conversion rights remain substantially equivalent after giving effect to such event. In that case, the trust will exercise its voting rights with respect to the class 11 preferred shares on each resolution on which a vote is required in accordance with the vote by the holders of the common shares on the equivalent resolution presented to such holders.

Conversion

Class 3 and class 5 preferred shares are not convertible into MTFG common stock. Class 8, class 9, class 10, class 11 and class 12 preferred shares are convertible into MTFG s common stock at the option of the holder during the conversion periods described below. Class 6 and class 7 preferred shares are also convertible into MTFG common stock, but the detailed conversion terms of these preferred shares will be determined by the board of directors at the time of issuance. Class 6, class 7, class 8, class 9, class 10, class 11 and class 12 preferred shares that are not converted at the option of the holders will be mandatorily converted into common stock on the mandatory conversion dates set out below.

Optional Conversion Rights

MTFG s class 8, class 9, class 10, class 11 and class 12 preferred shares are convertible at the option of the holders thereof, in whole or in part, into MTFG common stock, subject to the provisions described below, at any time until the close of business on the dates set forth below (excluding certain excluded periods described below):

- class 8 preferred shares: July 31, 2008
- class 9 preferred shares: March 30, 2009
- class 10 preferred shares: March 30, 2009

- class 11 preferred shares: July 31, 2014

- class 12 preferred shares: July 31, 2009

The number of MTFG common stock to be issued upon any optional conversion of the class 8, class 11 and class 12 preferred shares will be determined by (a) multiplying the liquidation preference for the relevant class of preferred stock as set forth in Liquidation Rights by the number of preferred shares being converted and then (b) dividing the amount so calculated by the conversion price (as set forth below) in effect on the date of the relevant conversion.

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The number of MTFG common stock to be issued upon any optional conversion of the class 9 and class 10 preferred shares will be determined by multiplying (a) the number of preferred shares being converted by (b) the conversion ratio (as set forth below) in effect on the date of the relevant conversion.

Conversion Price and Ratio

The expected conversion price and ratio, as applicable, per share of the class 8, class 9, class 10, class 11 and class 12 preferred shares as of the date of this prospectus is set forth below.

- class 8 preferred shares: the conversion price for UFJ Holdings class II preferred shares as of the date before the date of the merger, divided by the merger ratio of 0.62
- class 9 preferred shares: 2.197 shares of common stock per preferred share
- class 10 preferred shares: 2.197 shares of common stock per preferred share
- class 11 preferred shares: ¥918,700
- class 12 preferred shares: ¥796,000

Reset of Conversion Price and Ratio

The conversion price for the class 8 preferred shares will be adjusted on August 1, 2006 and August 1, 2007 by multiplying (a) the average of the closing price on each of the 30 consecutive trading days commencing on the 45th trading day immediately preceding the relevant reset date (excluding any trading day for which such information is not available) and (b) 1.025. If any event that could cause such adjustment in accordance with Anti-dilution Adjustment of Conversion Price below has occurred during the reset calculation period, the average price above will be adjusted as set forth in Anti-dilution Adjustment of Conversion Price. A trading day for the above calculation means any day on which a closing price (including closing bid or offered price) of the common stock of MTFG is reported on the Tokyo Stock Exchange. If the amount so calculated is below ¥1,693,500, the conversion price after reset shall be set to ¥1,693,500.

The conversion ratios for the class 9 and class 10 preferred shares will be adjusted on October 5 of each year starting from October 5, 2005 to October 5, 2008 by dividing ¥2,000,000 by the product of (a) the average of the closing price, (including closing bid or offered price) on each of the 30 consecutive trading days commencing on the 45th trading day immediately preceding the relevant reset date (excluding any trading day for which such information is not available) and (b) 1.035. The amount shall be calculated to the fourth decimal place, with the fourth decimal being rounded appropriately. If the amount so calculated exceeds 2.197, the conversion ratio after reset shall be set to 2.197.

The conversion price for the class 11 preferred shares will be adjusted on July 15 of each year starting from July 15, 2006 to July 15, 2013, if the daily average price (any amount less than ¥1,000 being rounded up to the nearest ¥1,000) of the closing prices (including closing bid or offered

price) of MTFG s common stock on the Tokyo Stock Exchange for each period of 30 consecutive trading days up to and including the relevant reset date (or, if any such day is other than a trading day, the immediately preceding trading day) is at least ¥1,000 less than the conversion price in effect on the respective reset date, the conversion price shall, on and from August 1 of that year, be reset to the lower amount so calculated. If any event that could cause such adjustment in accordance with Anti-dilution Adjustment of Conversion Price below has occurred during the reset calculation period, the average price above will be adjusted as set forth in Anti-dilution Adjustment of Conversion Price. A trading day for the above calculation means any day on which a closing price (including closing bid or offered price) of the common stock of MTFG is reported on the Tokyo Stock Exchange. If the amount so calculated for the class 11 preferred stock is below ¥918,700 then the conversion price for the class 11 preferred shares shall be set to ¥918,700.

The conversion price for the class 12 preferred shares will be adjusted on June 15 of each year starting from June 15, 2006 to June 15, 2008 if the simple average of the volume weighted average price of MTFG s common

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stock on the Tokyo Stock Exchange for each period of 30 consecutive trading days up to and including the relevant reset date (or, if any such day is other than a trading day, the immediately preceding trading day) is at least ¥1,000 less than the conversion price in effect on the respective reset date, the conversion price shall, on and from June 30 of that year, be reset to the lower amount so calculated. The simple average of the volume weighted average price means the arithmetic mean (calculated by MTFG and any fraction less than ¥1,000 being rounded up) of (x) the daily weighted average price of MTFG s common stock on the Tokyo Stock Exchange on each trading day during the reset calculation period, which weighted average price is announced on such page as designated by Bloomberg L.P. on its screen entitled JT Equity AQR to show the weighted average price of MTFG s common stock on the Tokyo Stock Exchange, or such other page or service as may replace such page, provided by Bloomberg L.P. between 10:00 am and 11:00 am (London time), or (y) if the above mentioned page is not available in respect of any aforementioned trading day, the last sale price (in regular trading) of MTFG s common stock on the Tokyo Stock Exchange for that trading day. In each case, if any event that could cause such adjustment in accordance with Anti-dilution Adjustment of Conversion Price below has occurred during the reset calculation period, the weighted average price above will be adjusted as set forth in Anti-dilution Adjustment of Conversion Price. If the amount so calculated for the class 12 preferred stock is below ¥796,000, then the conversion price for class 12 preferred shares shall be set to ¥796,000.

Anti-dilution Adjustment of Conversion Price

The conversion price for the class 8, class 9, class 10, class 11 and class 12 preferred stock, including the expected minimum conversion price for each class, will be adjusted to prevent or reduce dilution of the shares of common stock to be issued at conversion in the event of any of the items set forth below, except that if the conversion price when adjusted in accordance with the relevant conversion-price adjustment formula falls below or exceeds, as the case may be, certain amounts specified in MTFG s articles of incorporation, the conversion price after adjustment will be set at such amount on such date.

The conversion price will be adjusted in the following circumstances:

- *Adjustment Event 1.* If MTFG issues common stock or disposes of its treasury shares with a subscription amount or at a price below the current market price to be applied to the conversion price adjustment formula, the conversion price after the adjustment will become effective as from the date immediately following the closing issue date of such common stock or as from the date immediately following the date, if prescribed, on which the shareholders are entitled to the allotment of such common stock.

- *Adjustment Event 2.* If MTFG issues common stock through a stock split, the conversion price after the adjustment will become effective as from the date immediately following the date, if prescribed, on which the shareholders are entitled to the allotment of such common stock to be issued by way of stock split, except that if MTFG s board of directors determines that the stock split and issuance of the common stock thereby is to be effected by a transfer of distributable profits to capital and the date prescribed for the allotment of such common stock to shareholders falls on or prior to the date of the close of the relevant ordinary general meeting of shareholders at which the required transfer of distributable profits to capital is to be approved, the conversion price after adjustment will become effective as from the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.

- *Adjustment Event 3.* If MTFG issues or grants securities or rights that are convertible into common stock or that have stock acquisition rights for newly issued common stock at a price below the current market price. The conversion price after the adjustment will become effective as from the date immediately following the issue date of such securities or rights, or as from the date immediately following the date, if prescribed, on which the shareholders are entitled to the allotment or application of such securities or rights, on the assumption that all such securities or rights are converted or all the stock acquisition rights entitled by such securities are exercised on the issue date of such securities or at the close of such date prescribed on which the shareholders are entitled to the allotment of such securities.

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In addition to the events set forth above, if an adjustment of the conversion price (including the minimum conversion price) is required as a result of any merger, reduction of states capital, consolidation of common stock or otherwise, the conversion price will be adjusted as MTFG s board of directors deems appropriate.

Final Mandatory Conversion

Unless previously converted during the relevant conversion period, any outstanding shares of the following classes of MTFG preferred stock will be mandatorily converted on the dates below:

- class 8 preferred shares: August 1, 2008
- class 9 preferred shares: March 31, 2009
- class 10 preferred shares: March 31, 2009
- class 11 preferred shares: August 1, 2014
- class 12 preferred shares: August 1, 2009

The number of shares of common stock to be issued upon mandatory conversion of the class 8, class 9, class 10, class 11 and class 12 preferred shares is determined by multiplying the number of such preferred shares by the amount obtained by dividing the liquidation preference of the relevant class of preferred stock as set forth in Liquidation Rights by the higher of (a) the average of the closing price (including closing bid or offered price) on each of the 30 consecutive trading days commencing on the 45th trading day immediately preceding the mandatory conversion date (excluding any trading day for which such information is not available), calculated to units of ¥10 (¥50 or more as a result thereof being rounded upward and disregarding less than ¥50) and (b) the amounts listed below for each relevant class of preferred stock:

- class 8 preferred shares: ¥1,209,700
- class 9 preferred shares: ¥ 910,500
- class 10 preferred shares: ¥910,500
- class 11 preferred shares: ¥802,600
- class 12 preferred shares: ¥795,200

On the relevant mandatory conversion date, all outstanding class 11 preferred shares will be converted into common stock and distributed by the trust to the holders of the preferred share units.

Common Stock Issued upon Conversion

Any dividend or interim dividend on the MTFG common stock issued upon optional or mandatory conversion of MTFG preferred stock will be paid as if any conversion that occurs during the period from and including April 1 of each year to and including September 30 of such year had taken effect as of April 1 at the beginning of the period and any conversion which takes place during the period from and including October 1 of each year to and including March 31 of the subsequent calendar year had taken effect as of October 1 at the beginning of the period. The MTFG common stock issued upon optional or mandatory conversion will in all other respects rank equally with the common stock outstanding on the relevant conversion date (except for any right for which the record date precedes the conversion date and any other right excluded by mandatory provisions of applicable law).

Purchase and Retirement

In general, MTFG may purchase all or some of the outstanding preferred stock at the purchase price of the relevant class of preferred stock at any time and retire such preferred stock out of its distributable profits. MTFG

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may redeem shares of class 3 preferred shares at ¥2,500,000 per share, in whole or in part , on or after February 18, 2010. Upon issuance, MTFG may redeem shares of class 5 and class 6 preferred shares, in whole or in part, at a time and redemption price to be determined by MTFG s board of directors.

As all of the class 11 preferred shares will be owned by the trust, the only manner in which MTFG may effect such a purchase is by purchasing preferred share units issued by such trust and submitting such preferred share units to the trustee for redemption in accordance with the trust deed.

Stock Splits; No Pre-emptive Rights

MTFG s articles of incorporation provide, among others, that:

- no stock split (which term includes free share distributions, stock dividends and subdivisions) or consolidation of shares will be made in relation to the preferred stock unless otherwise provided under applicable laws and regulations; and

- no holder of the preferred stock has any right to subscribe for new shares or any right to subscribe for convertible bonds or bonds with stock acquisition rights.

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DESCRIPTION OF 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 MTFG 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. MTFG s obligations and the obligations of The Bank of New York are set out in a deposit agreement among MTFG, 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 MTSG pays on MTFG common stock into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. 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 U.S. 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 MTFG may distribute as a dividend or free distribution, if MTFG furnishes 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.

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Rights to receive additional shares. If MTFG offers holders of its 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 MTFG, make those rights available to you. MTFG 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 MTFG does 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. MTFG will have no obligation to register under the U.S. Securities Act those rights or the securities to which they relate.

Other distributions. The Bank of New York will send to you anything else MTFG distributes 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 MTFG distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what MTFG 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. MTFG has no obligation to register ADSs, shares, rights or other securities under the Securities Act. MTFG also has 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 MTFG makes on its shares or any value for them if it is illegal or impractical for MTFG 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;

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- 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 MTFG s 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 MTFG s 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 MTFG s 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 MTFG. 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 or deemed instructions of the ADS holders. If no instructions are received by the Bank of New York from you with respect to any of the deposited securities represented by your ADSs on or before the date established by the Bank of New York for such purpose, the Bank of New York shall deem you to have instructed the Bank of New York to give a discretionary proxy to a person designated by MTFG with respect to such deposited securities and the Bank of New York shall give a discretionary proxy to a person designated by MTFG to vote such deposited securities, provided that no such instruction shall be given with respect to any matter as to which MTFG informs the Bank of New York (and MTFG has agreed to provide such

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information as promptly as practicable in writing) that (1) MTFG does not wish such proxy given, (2) substantial opposition exists or (3) such matter materially and adversely affects the rights of holders of shares.

MTFG 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 result of a distribution of shares or rights or other property
	Each cancellation of an ADS, including if the agreement terminates
$0.02 (or less) per ADSs	To the extent permitted by securities exchange on which the ADSs may be listed for trading any cash payment
Registration or transfer fees	Transfer and registration of shares on the share register of the foreign registrar from your name to the name of The Bank of New York or its agent when you deposit or withdraw shares
Expenses of The Bank of New York	Conversion of foreign currency to U.S. dollars cable, 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 MTFG:

- reclassifies, splits up or consolidates any of its shares or the deposited securities,

- recapitalizes, reorganizes, merges, liquidates, consolidates or sells all or substantially all of its assets or take any similar action, or

- distributes securities on the shares that are not distributed to you,

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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 so requested by MTFG, issue new ADSs or ask you to surrender your outstanding ADSs in exchange for new ADSs, identifying the new deposited securities.

Amendment and Termination

MTFG 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 MTFG asks it to do so, in which case The Bank of New York 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 MTFG that it would like to resign and MTFG has 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, MTFG s 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 MTFG s obligations and the obligations of The Bank of New York. It also limits MTFG s liability and the liability of The Bank of New York. MTFG 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 MTFG s articles of incorporation or circumstances beyond their control from performing their obligations under the deposit agreement;

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- 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, MTFG 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 MTFG s transfer books are closed or at any time if it or MTFG 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 MTFG has closed its transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders meeting; or (3) MTFG is 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 MTFG, 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 MTFG to the holders of the deposited securities. If so requested by MTFG, The Bank of New York will also send you copies of those reports it receives from MTFG.

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 MTFG s business or a matter related to the deposit agreement or the ADSs.

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TAXATION

Japanese Taxation

The following is a summary of the principal Japanese tax consequences of the merger and the ownership of MTFG shares to non-resident holders of shares of UFJ Holdings common stock and ultimately of MTFG shares. The statements regarding Japanese tax laws set forth below are based on the laws in force and double taxation conventions applicable as of the date hereof which are subject to change, possibly on a retroactive basis. This summary is not exhaustive of all possible tax considerations which may apply to a particular non-resident holder and potential non-resident holders are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of MTFG shares, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are residents, and any tax treaty between Japan and their country of residence, by consulting their own tax advisors.

A non-resident holder means a holder of UFJ Holdings common stock or MTFG shares or ADSs, as the case may be, who holds such stock as portfolio investments, and who is a non-resident individual of Japan or a non-Japanese corporation without a permanent establishment in Japan.

Exchange of UFJ Holdings Common Stock for MTFG Shares

The merger is expected to be accomplished as a qualified merger, which is a tax-free transaction for Japanese tax purposes. Therefore, a non-resident holder will not recognize any income or gain for Japanese tax purposes upon the exchange of its UFJ Holdings shares for MTFG shares in the merger, except to the extent it receives cash in lieu of fractional shares of MTFG shares as described in the following paragraph.

As long as UFJ Holdings common stockholders receive only MTFG shares in exchange for their UFJ Holdings common stock in the merger, they will not recognize any gain for Japanese tax purposes. If they receive any cash in lieu of fractional shares of MTFG shares, such cash is deemed to be sales proceeds for such fractional shares and, consequently, the UFJ Holdings common stockholders may recognize capital gains for Japanese tax purposes depending on their respective tax basis for the UFJ Holdings common stock exchanged for such fractional shares. However, non-resident holders are generally not subject to Japanese taxation with respect to such gains derived from Japanese corporation stock. A U.S. holder that is entitled to benefits under the Tax Convention (as defined below) is generally exempt from Japanese taxation, if any, on such gains.

Tax Consequences of Owning MTFG Shares

For the purpose of Japanese tax law and the Tax Convention, a U.S. non-resident holder of ADSs will be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder will be subject to Japanese withholding tax on dividends paid by MTFG. As described in more detail below, the rate of Japanese withholding tax applicable to dividends paid by MTFG to non-resident holders is 7% in general for dividends to be paid on or before March 31, 2008 pursuant to Japanese tax law. After such date, the maximum withholding rate for U.S. holders (as defined below), which is generally set at 10% of the gross amount distributed, shall be applicable pursuant to the Tax Convention (as defined below).

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 (the Tax Convention) has been signed to replace its predecessor, which was signed on March 8, 1971 (the Prior Treaty). 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

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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 recipient 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 provision 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.

Japanese tax law provides in general that if the Japanese statutory rate is lower than the maximum rate applicable under tax treaties, conventions or agreements, the Japanese statutory rate shall be applicable. The rate of Japanese withholding tax applicable to dividends paid by MTFG 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 MTFG issued shares for which the applicable rate is 20%.

Non-resident holders who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares or ADSs by MTFG are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through MTFG 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 none of the individual, the decedent or the donor is a Japanese resident.

U.S. Federal Income Tax Considerations

The following discussion summarizes the material United States federal income tax consequences that are generally applicable to U.S. Holders (as defined below) pursuant to the Merger. As used herein, a U.S. Holder means, as the context requires, a holder of MTFG shares or UFJ Holdings shares that holds such shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code if 1986; as amended (the Code), and for U.S. federal income tax purposes is either: (a) an individual citizen or resident of the United States; (b) a corporation or other entity taxable as a corporation organized under the laws of the United States or any political subdivision thereof (including the states of the United States and the District of Columbia); (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; (d) a trust if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust; or (e) any other person that is subject to U.S. federal income tax on its worldwide income. As used herein, a Non-U.S. Holder means any holder of MTFG shares or UFJ Holdings shares who is not a U.S. Holder.

This discussion does not address all aspects of taxation that may be relevant to particular U.S. Holders in light of their personal investment or tax circumstances or to persons that are subject to special tax rules, such as

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banks, insurance companies, tax-exempt entities, financial institutions, broker-dealers, persons holding MTFG shares or UFJ Holdings shares as part of a hedging or conversion transaction or as part of a straddle, U.S. expatriates, persons subject to the alternative minimum tax, U.S. Holders whose functional currency is not the U.S. dollar, Non-U.S. Holders, and U.S. Holders that own or have owned, actually or constructively, 10% or more of the UFJ Holdings shares or that will own, actually or constructively, 5% or more of the total voting power or the total value of MTFG shares after the merger. This discussion may not be applicable to holders who acquired UFJ Holdings shares pursuant to the exercise of options or warrants or otherwise as compensation for services. Furthermore, this discussion does not give a detailed discussion of any state, local, or foreign tax considerations. This summary also assumes that neither UFJ Holdings nor MTFG is a controlled foreign corporation for U.S. federal income tax purposes.

If a partnership holds MTFG or UFJ Holdings shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding MTFG or UFJ Holdings shares, you should consult your tax advisor.

This discussion is based on the Code, applicable U.S. Treasury regulations, judicial authority, and administrative rulings and practice, all as of the date of this Joint Circular, as well as certain representations made by UFJ Holdings or MTFG. Future legislative, judicial, or administrative changes or interpretations, which may or may not be retroactive, or the failure of any such factual representation to be true, correct and complete in all material respects, may adversely affect the accuracy of the statements and conclusions described in this document. No ruling has been sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger, and the opinions of counsel set forth herein will not be binding upon the Internal Revenue Service or any court.

U.S. Holders should consult their own tax advisors regarding the specific U.S. federal income tax consequences of the merger relevant to their particular circumstances, as well as any applicable state, local, foreign, or other tax consequences of the merger relevant to such U.S. Holders.

U.S. Tax Consequences of the Merger

Based on representations made by MTFG and UFJ Holdings and on customary factual assumptions, including that the merger will be completed in accordance with the description of the transaction contained in this prospectus of the merger agreement, all of which must continue to be true, correct and complete in all respects and at all times through the effective time of the merger, it is the opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to MTFG that if the ownership test described below is met with respect to the surviving corporation, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368 of the U.S. tax code and that MTFG will be treated as a corporation under Section 367(a) of the U.S. tax code with respect to each transfer of property to MTFG pursuant to the merger. No ruling has been or will be sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger, and the opinions of counsel are not binding upon the Internal Revenue Service or any court. Accordingly, there can be no assurance that the Internal Revenue Service will not contest the conclusions expressed in the opinion or that a court will not sustain such contest. If, immediately after the merger is completed, the shareholders of UFJ Holdings at the time of the merger own at least 50% of either (1) the total combined voting rights of all classes of stock of the surviving corporation entitled to vote, or (2) the value of the shares of the surviving corporation, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a)(1)(D) of the U.S. tax code. If, on the other hand, immediately after the merger, the shareholders of UFJ Holdings at the time of the merger do not own at least 50% of either (1) the total combined voting rights of all classes of stock entitled to vote, or (2) the value of the shares of the surviving corporation, the merger will be a taxable exchange for U.S. federal income tax purposes. The determination of whether the merger will qualify as a reorganization under Section 368(a)(1)(D) is a factual one that cannot be made until the companies advisors examine share ownership records as of the effective date of the merger. MTFG will notify the former shareholders of UFJ Holdings as soon as its advisors have determined whether the merger qualified as a reorganization under Section 368(a)(1)(D).

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The determination of whether the ownership test is satisfied, and so whether the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a)(1)(D), will involve identifying the beneficial holders of the stock of UFJ Holdings at the time of the merger, and determining whether those stockholders beneficially own stock in MTFG immediately after the merger that comprises either (a) at least 50% of the total combined voting power of all classes of MTFG stock entitled to vote immediately after the merger or (b) at least 50% of the total value of shares of all classes of stock immediately after the merger.

The MTFG stock held by the UFJ stockholders immediately after the merger that will be counted for these purposes will include not only the MTFG common and preferred stock received by the UFJ stockholders at the time of the merger as consideration for the surrender by them of their UFJ Holdings common and preferred stock as part of the merger, but also other MTFG common and preferred stock held by the UFJ stockholders immediately after the merger (that is, MTFG common and preferred stock that was held by these UFJ stockholders immediately before the merger and was not issued to them as part of the merger).

The determination of whether the ownership test is satisfied on the basis of value will be made as follows. The value of the common stock and the various classes of preferred stock of MTFG immediately after the merger will be determined. From those values, it will be possible to determine (1) the value of the stock issued as merger consideration to the UFJ stockholders, (2) the value of any other MTFG stock held by UFJ stockholders immediately after the merger and (3) the total value of all classes of MTFG stock immediately after the merger. If the combined value of the stock issued as merger consideration and the other MTFG stock held by the UFJ stockholders immediately after the merger is at least 50% of the total value of all classes of MTFG stock immediately after the merger, the ownership test will be satisfied on the basis of value.

If the merger had taken place on March 31, 2005, on exactly the same terms as those proposed in this prospectus and based on the assumptions set out below, the ownership test would have been satisfied on the basis of value. This is because, on the basis of the assumptions set out below, the total value of all classes of MTFG stock immediately after a merger on March 31, 2005 would have been approximately ¥10.5 trillion and the total value of the stock issued as merger consideration would have been approximately ¥4.2 trillion. Furthermore, as a result of the investigative steps described below, and on the basis of the assumptions set out below, MTFG has determined that the UFJ stockholders at the time of the merger would, at a minimum, have held immediately after a merger on March 31, 2005 other MTFG stock of a value of approximately ¥1.7 trillion. Accordingly, based on the assumptions set out below, the combined value of the stock issued as merger consideration to the UFJ stockholders and the other MTFG stock held by the UFJ stockholders immediately after a merger on March 31, 2005 would have been at least 55% of the total value of all classes of MTFG stock immediately after a merger on March 31, 2005. This conclusion, based on the assumptions set out below, is referred to below as the determination.

The determination of what the ownership of non-merger consideration MTFG stock by UFJ stockholders would have been immediately after a merger on March 31, 2005 was based on the assumptions set out below and made by MTFG by including, based on the share registers of the two companies as of March 31, 2005:

- all of the MTFG shares held by registered stockholders of both MTFG and UFJ Holdings, where those registered stockholders are also believed to be the beneficial owners of the stock registered in their names and are corporations holding 300 or more shares (including shares held in retirement accounts in which voting rights are retained by the beneficiaries); and

- the MTFG shares registered in the name of local banks and insurance companies that are also registered shareholders of UFJ Holdings, where those registered stockholders are also believed to be the beneficial owners of the stock registered in their names (including shares held in retirement accounts in which voting rights are retained by the beneficiaries).

The assumptions on which the determination is made are that: (a) all of the corporate steps (including share conversions) set out in this prospectus which are intended to occur before the merger would have occurred prior to a merger on March 31, 2005; (b) the total combined value of all of the classes of MTFG stock immediately after a merger on March 31, 2005 would have been equal to the aggregate of the values of

all of the classes of

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MTFG stock and all of the classes of UFJ Holdings stock immediately before a merger on March 31, 2005; (c) the value of the stock held by each stockholder of MTFG immediately after a merger on March 31, 2005 would have been equal to the value of the stock held by that stockholder in MTFG and UFJ Holdings immediately before a merger on March 31, 2005; (d) the value of the common stocks of MTFG and UFJ Holdings immediately before a merger on March 31, 2005 would have been equal to the Tokyo Stock Exchange closing price of those stocks on March 31, 2005; (e) the value of the classes of preferred stock of UFJ Holdings immediately before a merger on March 31, 2005 would have been equal to the value of the UFJ Holdings common stock into which they were convertible at that time (and assuming further that the conversion would have had no dilutive effect on the price per share of the UFJ Holdings common stock); (f) the value of the classes of MTFG preferred stock immediately before a merger on March 31, 2005 would have been equal to their redemption price; and (g) the beneficial owners of the MTFG stock and the UFJ Holdings stock immediately before a merger on March 31, 2005 would have been unchanged from September 30, 2004. The accuracy and value of the determination is dependent on the accuracy and completeness of these assumptions, some or all of which may not be accurate and complete.

Furthermore, the fact that the ownership test would have been satisfied on a date prior to the date of the actual merger would not mean that the ownership test would be satisfied immediately after the merger, when it actually takes places. This is because, in the intervening period, (a) the identity of the stockholders of UFJ Holdings could change; (b) the UFJ Holdings stockholders holdings of MTFG stock could reduce; or (c) the values of the different classes of MTFG stock and UFJ Holdings stock could vary.

MTFG makes no representation that the ownership test will be satisfied on the basis of either value or voting power immediately after the merger and, therefore, no representation that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes.

Merger Qualifies as a Reorganization

If the merger qualifies as a reorganization within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code, a U.S. holder of UFJ Holdings common stock who receives solely MTFG common stock in the merger will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange, except for any gain or loss attributable to cash received instead of a fractional share. If the holder receives cash instead of a fractional share of an MTFG ordinary share, the holder will be required to recognize capital gain or loss, measured by the difference between the amount of cash received and the portion of the tax basis of that holder s shares of UFJ Holdings common stock allocable to that fractional share. Such capital gain or loss will be long-term capital gain or loss if the share of UFJ Holdings common stock exchanged for the fractional share was held for more than one year at the effective time of the merger.

The holder will have a tax basis in the MTFG common stock received in the merger, including any fractional share for which cash is received, equal to the tax basis of the UFJ Holdings common stock surrendered by that holder in the merger. The holding period for MTFG common stock received in the merger will include the holding period for the UFJ Holdings common stock surrendered therefor.

Merger Does Not Qualify as a Reorganization

If the merger does not qualify as a reorganization within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code, the exchange of UFJ Holdings common shares for MTFG shares will be a taxable exchange for U.S. federal income tax purposes.

In that case, U.S. Holders of UFJ Holdings common shares will generally recognize gain or loss on the exchanges of UFJ Holdings common shares for MTFG shares equal to the difference between (x) the fair market value of the MTFG shares received pursuant to the merger plus any cash received as a result of the sale of fractional entitlements to MTFG securities, and (y) the U.S. Holder s adjusted tax basis in the UFJ Holdings common shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder has owned the UFJ Holdings common shares for more than one year. A U.S. Holder s ability to deduct capital losses may be limited. For a non-corporate U.S. Holder, the maximum long-term capital gains rate for taxable years that end on or after May 6, 2003 and begin no later than December 31, 2008 is 15%.

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Any gain or loss will generally be U.S. source, except that losses will be treated as foreign source to the extent the U.S. Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale.

A U.S. Holder s tax basis in the MTFG shares will generally equal the respective fair market value of the MTFG shares received. A U.S. Holder s holding period in MTFG shares will begin from the date such shares are received by the U.S. Holder.

Passive Foreign Investment Company

Special adverse United States 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. UFJ Holdings is a private banking institution subject to regulation under Japanese banking law. Based on publicly available information, MTFG believes UFJ Holdings is engaged in the active conduct of a banking business as defined in the Code and thus that it is not a PFIC. This determination is based in part upon certain proposed U.S. Treasury Regulations that are not yet in effect and are subject to change in the future, and other administrative pronouncement from the IRS that provide special rules for determining the character of income and assets derived in the banking business for purposes of the PFIC rules. Unless otherwise indicated, the remainder of this discussion assumes UFJ Holdings is not a PFIC.

If UFJ Holdings were a PFIC for any year during which an exchanging U.S. Holder owned UFJ Holdings common shares, such U.S. Holder would generally be subject to adverse U.S. federal income tax consequences with respect to (i) any gain realized on the sale or other disposition of its UFJ Holdings common shares, and (ii) certain distributions on such UFJ Holdings common shares.

Holders of UFJ Holdings common shares should consult their own tax advisors as to the potential application of the PFIC rules to their exchange of UFJ Holdings common shares for MTFG shares.

Non-U.S. Holders

Subject to the discussion below under Backup Withholding and Information Reporting, non-U.S. Holders will not be subject to U.S. federal income or withholding tax on any gain realized upon the exchange of UFJ Holdings common shares for MTFG shares, unless (i) such gain is effectively connected to the non-U.S. Holder s conduct of a trade or business in the United States, or (ii) such non-U.S. Holder is an individual that has been present in the United States for 183 days or more in the taxable year of such sale of exchange and certain other conditions are met.

Backup Withholding and Information Reporting

A U.S. Holder (other than certain exempt Holders, including corporations) may be subject to backup withholding tax unless such U.S. Holder provides its taxpayer identification number and related certification on a Form W-9, or substitute Form W-9. Please see U.S. Tax Consequences of Owning and Holding MTFG Shares or ADSs Backup Withholding and Information Reporting below.

U.S. Tax Consequences of Owning and Holding MTFG Shares or ADSs

U.S. Holders of ADSs

For U.S. federal income tax purposes, a U.S. holder of ADSs will be treated as the owner of the corresponding number of MTFG common stock held by the depositary, and references herein to shares refer also to the ADSs or common stock of MTFG.

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Dividends on Shares or ADSs

General

Distributions paid by MTFG out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Japanese withholding tax paid by MTFG with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income and will generally be treated as passive income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder s basis in the shares and thereafter as capital gain.

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 PFIC in either the taxable year of the distribution or the preceding taxable year are not qualified dividends. MTFG believes that, because it is engaged through its subsidiaries in the active conduct of a banking business as defined in the Code, it is not a PFIC for the current or preceding taxable year. It does not expect to become a PFIC in the future, although no assurance can be given in this regard. This determination is based in part upon certain proposed U.S. Treasury Regulations that are not yet in effect and are subject to change in the future, and other administrative pronouncement from the IRS that provide special rules for determining the character of income and assets derived in the banking business for purposes of the PFIC rules. Based on this determination, MTFG believes that it is a qualified foreign corporation and that dividends received by U.S. Holders with respect to MTFG shares or ADSs will be qualified dividends. A U.S. Holder will be eligible for this reduced rate only if it has held the shares for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date.

Effect of Japanese Withholding Taxes

As discussed above in Japanese Taxation Tax Consequences of Owning MTFG shares or ADSs, U.S. Holders will be subject to Japanese withholding taxes on dividends received from MTFG. Under the Tax Convention, the rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Tax Convention (eligible U.S. Holders) is reduced to a maximum of 10% of the gross amount distributed (or 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). For the procedure for claiming treaty benefits, please see Japanese Taxation Tax Consequences of Owning MTFG shares.

Any Japanese tax withheld with respect to distributions made on the MTFG Shares may, subject to certain limitations, be claimed as a foreign tax credit against a U.S. Holder s U.S. federal income tax liability or may be claimed as a deduction from the U.S. Holder s federal adjusted gross income provided that the U.S. Holder elects to deduct all foreign taxes paid in the same taxable year. The limitation of foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing the foreign tax credit are complex and U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Exchange of MTFG ADSs for Shares

In the case of a U.S. Holder that elects to withdraw shares from the deposit arrangement, no gain or loss will be recognized upon the exchange of MTFG ADSs for the U.S. Holder s proportionate interest in shares. A U.S. Holder s tax basis in the withdrawn shares will be the same as the U.S. Holder s tax basis in the MTFG ADSs surrendered, and the holding period of the shares will include the holding period of the MTFG ADSs.

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Sale or Other Disposition

Upon a sale or other disposition of MTFG shares or ADSs (other than an exchange of ADSs for shares), a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder s adjusted tax basis in the MTFG shares or ADSs. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder s holding period in the MTFG shares or ADSs exceeds one year. However, in the case of MTFG shares or ADSs regardless of a U.S. Holder s actual holding period, any loss will be long-term capital loss to the extent the U.S. Holder receives a dividend in excess of 10% of its basis in the MTFG shares or ADSs. For a non-corporate U.S. Holder, the maximum long-term capital gains rate for taxable years that end on or after May 6, 2003 and begin no later than December 31, 2008 is 15%.

Any gain or loss will generally be U.S. source, except that, in the case of MTFG shares or ADSs, losses will be treated as foreign source to the extent the U.S. Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale. In consequence, a U.S. Holder may have insufficient foreign source income to fully utilize foreign tax credits attributable to any Japanese withholding tax imposed on a sale or disposition. U.S. Holders should consult their tax advisors as to the availability of and limitations on any foreign tax credits attributable to this Japanese withholding tax.

Foreign Exchange Gain or Loss

Payments of dividends on MTFG shares and payments of cash in lieu of fractional MTFG shares which are made in Japanese yen must be translated to U.S. dollars in order to calculate the U.S. Holder s federal income tax liability. Generally, an amount paid in Japanese yen will be translated to a U.S. dollar amount by reference to the spot exchange rate in effect on the date such amount is paid, regardless of whether the payment is in fact converted into U.S. dollars. If the Japanese yen are converted into U.S. dollars on the date of the payment, the U.S. Holder (although subject to tax on the U.S. dollar value of the payment) should not be required to recognize any foreign currency gain or loss with respect to the receipt of the Japanese yen. If, instead, the Japanese yen are converted at a later date, any currency gains or losses resulting from the conversion of the Japanese yen will be treated as U.S.-source ordinary income or loss.

Backup Withholding and Information Reporting

Payments of the proceeds of sale or other disposition (including the exchange of UFJ Holdings common shares) of MTFG shares or ADSs, as well as dividends and other proceeds with respect to the MTFG shares or ADSs, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the Holder fails to provide an accurate taxpayer identification number or certification of exempt status, certified under penalties of perjury.

In order to avoid backup withholding of U.S. federal income tax on payments of MTFG shares or ADSs and any cash in lieu of a fractional share, as well as dividends and other proceeds with respect to MTFG shares or ADSs, U.S. Holders must, unless an exemption applies, provide the U.S. exchange agent with the shareholder s correct taxpayer identification number (TIN) on a Form W-9 or a substitute Form W-9 (Request for Taxpayer Identification Number and Certification) and certify under penalties of perjury that such TIN is correct and that the shareholder is not subject to backup withholding. If a correct TIN or the certifications described above are not provided, the Internal Revenue Service may impose a penalty and payments of MTFG shares or ADSs and any cash in lieu of fractional entitlements, as well as dividends and other proceeds with respect to MTFG shares or ADSs received pursuant to the merger may be subject to backup withholding tax. In general, U.S. Holders surrendering UFJ Holdings common shares pursuant to the merger should complete and sign the main signature form and the Form W-9 or substitute Form W-9 included as part of the transmittal forms that will be sent to holders of UFJ Holdings New York registry shares in order to

provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is provided in a manner satisfactory to

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MTFG and the U.S. exchange agent). Certain shareholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. In order to avoid possible erroneous backup withholding, exempt shareholders that are not non-U.S. Holders should complete the Form W-9 or substitute Form W-9 included as part of the transmittal forms.

Non-U.S. Holders should complete and sign an appropriate Form W-8 (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding), a copy of which may be obtained from the U.S. exchange agent, in order to avoid backup withholding in the U.S.

All holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

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LEGAL MATTERS

Mori Hamada & Matsumoto, MTFG s Japanese counsel, will pass upon the validity of the shares of common stock to be issued under the merger agreement and certain Japanese tax matters. The address of Mori Hamada & Matsumoto is Marunouchi Kitaguchi Building, 6-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8222. Paul, Weiss, Rifkind, Wharton & Garrison LLP, MTFG s U.S. counsel, will pass upon certain U.S. federal income tax matters. The address of Paul, Weiss, Rifkind, Wharton & Garrison LLP is 2-2 Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan.

LIMITATIONS ON ENFORCEMENT OF U.S. LAWS

MTFG is a joint stock company incorporated in Japan. All of MTFG s directors, corporate auditors and executive officers are residents of countries other than the United States. As a result, you should note that it may be difficult or impossible to serve legal process on MTFG or its directors, corporate auditors and executive officers, or to force MTFG or them to appear in a U.S. court. MTFG s legal counsel in Japan has advised it that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of civil liabilities based solely on U.S. securities laws. A Japanese court may refuse to allow an original action based on U.S. securities laws.

MTFG s legal counsel has further advised that the United States and Japan do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, if you obtain a civil judgment by a U.S. court, you will not necessarily be able to enforce it in Japan. MTFG s agent for service of process is The Bank of Tokyo-Mitsubishi, Ltd., Headquarters for the Americas, located at 1251 Avenue of the Americas, New York, New York 10020-1104, Attention: Robert E. Hand, Esq., General Counsel and Director of Public Affairs, Legal and Compliance Office for the Americas.

EXPERTS

MTFG s consolidated financial statements as of March 31, 2003 and 2004, and for each of the three fiscal years in the period ended March 31, 2004 included in this prospectus have been audited by Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the change in the method of accounting for (1) derivative financial instruments and hedging activities, and (2) goodwill and other intangible assets), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. Deloitte Touche Tohmatsu s address is MS Shibaura Building, 13-23, Shibaura 4-chome, Minato-ku, Tokyo, 108-8530, Japan.

The consolidated financial statements of UFJ Holdings as of and for the fiscal years ended March 31, 2003 and 2004 included in this prospectus have been audited by ChuoAoyama PricewaterhouseCoopers, independent auditors, as stated in their report included in this prospectus, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. ChuoAoyama PricewaterhouseCoopers address is Kasumigaseki Building 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6088.

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WHERE YOU CAN OBTAIN MORE INFORMATION

As required by the U.S. Securities Act, MTFG has filed a registration statement on Form F-4 relating to the securities offered by this prospectus with the SEC. This prospectus is a part of that registration statement, as amended, which includes additional information.

MTFG will provide you, without charge and upon written or oral request, a copy of any of the documents that are included in the registration statement. If you would like MTFG to provide you with any of these documents, please contact MTFG at the following address or telephone number: 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan, Attention: Public Relations Office, telephone: +81-3-3240-8136. **IN ORDER TO OBTAIN TIMELY DELIVERY, YOU MUST REQUEST THE INFORMATION NO LATER THAN JUNE 22, 2005, WHICH IS FIVE BUSINESS DAYS BEFORE YOU MUST MAKE A DECISION REGARDING THE MERGER.**

In addition, MTFG files annual reports, special reports and other information with the SEC. You may read and copy any document filed with the SEC at the SEC s public reference rooms 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 (800) SEC-0330 for further information on the 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).

MTFG is currently exempt from the rules under the U.S. Securities Exchange Act of 1934 that prescribe the furnishing and content of proxy statements, and MTFG s officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Securities Exchange Act. MTFG is not required under the U.S. Securities Exchange Act to publish financial statements as frequently or as promptly as are U.S. companies subject to the U.S. Securities Exchange Act. MTFG will, however, continue to furnish its shareholders with annual reports containing audited financial statements and will issue interim press releases containing unaudited results of operations as well as such other reports as may from time to time be authorized by its board of directors or as may be otherwise required.

UFJ Holdings is on the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the U.S. Securities Exchange Act, and furnishes certain information in accordance with Rule 12g3-2(b) of the U.S. Securities Exchange Act.

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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, except for Notes 28, 33 and the effect of retroactive application of the equity method of accounting for investments in ACOM CO., LTD. due to additional acquisition of shares subsequent to March 31, 2004 as discussed in Note 33, as to which the date is March 2, 2005

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2003 AND 2004

	2003	2004
	(in millions)	
ASSETS		
Cash and due from banks (Note 10)	¥ 4,288,581	¥ 3,111,967
Interest-earning deposits in other banks (Note 10)	4,009,986	3,509,044
Call loans and funds sold (Note 13)	595,567	877,277
Receivables under resale agreements	1,169,479	2,237,666
Receivables under securities borrowing transactions	1,848,124	4,751,909
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥1,807,819 million in 2003 and ¥2,252,489 million in 2004) (Notes 3 and 10)	8,363,383	8,378,752
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 ¥3,049,692 million in 2003 and ¥2,352,234 million in 2004)	24,354,280	27,630,316
Securities being held to maturity carried at amortized cost (estimated fair value of ¥203,524 million in 2003 and ¥1,257,901 million in 2004)	191,132	1,250,759
Other investment securities	145,431	200,557
Total investment securities	24,690,843	29,081,632
Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥864,978 million in 2003 and ¥713,068 million in 2004) (Notes 5 and 10)	48,465,569	48,525,856
Allowance for credit losses (Notes 5 and 6)	(1,360,136)	(888,127)
Net loans	47,105,433	47,637,729
Premises and equipment net (Note 7)	643,794	580,073
Accrued interest	173,351	149,066
Customers acceptance liability	28,261	30,149
Intangible assets (Note 8)	186,898	234,139
Goodwill (Note 8)	48,143	56,690
Deferred tax assets (Note 9)	1,636,126	1,007,276
Other assets (Notes 5 and 17)	1,749,435	2,055,730
Total	¥ 96,537,404	¥ 103,699,099
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits (Notes 10 and 11):		
Domestic offices:		
Non-interest-bearing	¥ 3,987,854	¥ 5,082,701
Interest-bearing	52,257,085	52,452,342
Overseas offices:		
Non-interest-bearing	2,434,297	2,413,053
Interest-bearing	8,624,442	10,076,156
Total deposits	67,303,678	70,024,252
Debentures (Note 12)	636,060	265,957
Call money and funds purchased (Notes 10 and 13)	2,689,892	2,871,851
Payables under repurchase agreements (Note 10)	4,424,035	5,068,369

Payables under securities lending transactions (Note 10)	2,205,943	1,457,118
Due to trust account (Note 14)	1,401,618	1,380,269
Other short-term borrowings (Notes 10 and 15)	2,854,028	5,663,067
Trading account liabilities (Note 3)	3,603,153	2,510,966
Obligations to return securities received as collateral	950,138	2,329,600
Bank acceptances outstanding	28,261	30,149
Accrued interest	132,655	103,411
Long-term debt (Notes 10 and 15)	5,159,132	5,659,877
Other liabilities (Notes 9, 16 and 17)	2,590,183	2,489,242
Total liabilities	93,978,776	99,854,128
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 ¥244,200 million)	122,100	122,100
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 ¥200,000 million in 2003 and ¥30,000 million in 2004)	100,000	15,000
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	984,708	1,069,708
Capital surplus (Note 19)	1,058,611	1,057,900
Retained earnings (Notes 20 and 33):		
Appropriated for legal reserve	237,474	239,571
Unappropriated	170,408	958,416
Accumulated other changes in equity from nonowner sources, net of taxes	(111,398)	384,719
Total	2,561,903	3,847,414
Less treasury stock, at cost 3,290 common shares in 2003 and 2,779 common shares in 2004	3,275	2,443
Shareholders equity net	2,558,628	3,844,971
Total	¥ 96,537,404	¥ 103,699,099

See the accompanying notes to Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	2002	2003	2004
		(in millions)	
Interest income:			
Loans, including fees (Note 5)	¥ 1,274,140	¥ 1,045,330	¥ 921,666
Deposits in other banks	159,768	72,610	48,093
Investment securities:			
Interest	336,238	344,422	341,062
Dividends	62,856	46,716	41,207
Trading account assets	15,144	12,040	28,451
Call loans and funds sold	19,318	7,320	5,384
Receivables under resale agreements and securities borrowing transactions	146,107	54,055	35,891
Total	2,013,571	1,582,493	1,421,754
Interest expense:			
Deposits	485,643	243,755	178,549
Debentures	20,491	8,508	4,035
Call money and funds purchased	17,853	12,708	9,910
Payables under repurchase agreements and securities lending transactions	182,083	94,247	74,043
Due to trust account	16,683	8,673	4,950
Other short-term borrowings and trading account liabilities	46,302	31,140	34,262
Long-term debt	169,219	140,239	120,765
Total	938,274	539,270	426,514
Net interest income	1,075,297	1,043,223	995,240
Provision (credit) for credit losses (Notes 5 and 6)	598,412	437,972	(114,109)
Net interest income after provision (credit) for credit losses	476,885	605,251	1,109,349
Non-interest income:			
Fees and commissions (Note 27)	485,977	520,767	572,668
Foreign exchange gains (losses) net (Notes 1 and 3)	(333,034)	25,558	413,911
Trading account profits net (Notes 1 and 3)	138,460	267,610	103,903
Investment securities gains (losses) net (Notes 1 and 4)	6,806	(22,677)	118,648
Refund of the local taxes by the Tokyo Metropolitan Government (Note 9)			41,989
Other non-interest income	61,487	49,376	56,976
Total	359,696	840,634	1,308,095
Non-interest expense:			
Salaries and employee benefits (Note 16)	456,010	498,467	506,710
Occupancy expenses net (Notes 7 and 26)	134,667	120,979	120,507
Losses (gains) on other real estate owned	6,233	305	(579)
Goodwill amortization (Note 8)	7,862		
Fees and commission expenses	72,232	77,243	80,252
Amortization of intangible assets (Note 8)	36,932	46,505	63,582
Insurance premiums, including deposit insurance	43,452	48,259	54,392

Minority interest in income of consolidated subsidiaries	21,510	2,891	42,404
Communications	21,266	22,038	27,623
Other non-interest expenses	361,130	365,719	341,149
Total	1,161,294	1,182,406	1,236,040
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(324,713)	263,479	1,181,404
Income tax expense (benefit) (Note 9)	(99,729)	69,872	357,817
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(224,984)	193,607	823,587
Income (loss) from discontinued operations net (Note 2)	1,235	10,370	(585)
Cumulative effect of a change in accounting principle, net of tax (Note 1)	5,867	(532)	
Net income (loss)	¥ (217,882)	¥ 203,445	¥ 823,002
Income allocable to preferred shareholders	¥ 4,168	¥ 12,504	¥ 7,981
Net income (loss) available to common shareholders	¥ (222,050)	¥ 190,941	¥ 815,021
		(in Yen)	
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	¥ (41,255.15)	¥ 32,240.37	¥ 128,443.00
Basic earnings (loss) per common share net income (loss) available to common shareholders	(39,976.55)	33,991.75	128,350.88
Diluted earnings (loss) per common share income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(41,255.15)	29,486.78	125,123.73
Diluted earnings (loss) per common share net income (loss) available to common shareholders	(39,976.55)	31,164.84	125,033.96

(*) 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.

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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)	Income tax (expense) benefit	Gains (Losses) net of income tax expense (benefit)
		(in millions)	
Fiscal year ended March 31, 2002:			
Net loss			¥ (217,882)
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale	¥ (549,776)	¥ 208,469	(341,307)
Reclassification adjustment for gains included in net loss	(32,527)	12,749	(19,778)
Total	(582,303)	221,218	(361,085)
Cumulative effect of a change in accounting principle	2,065	(808)	1,257
Net unrealized gains on derivatives qualifying for cash flow hedges	7,982	(2,916)	5,066
Reclassification adjustment for gains included in net loss	(4,254)	1,627	(2,627)
Total	5,793	(2,097)	3,696
Minimum pension liability adjustments	(122,746)	30,815	(91,931)
Foreign currency translation adjustments	84,370	(5,450)	78,920
Reclassification adjustment for losses included in net loss	115	0	115
Total	84,485	(5,450)	79,035
Total changes in equity from nonowner sources			¥ (588,167)
Fiscal year ended March 31, 2003:			
Net income			¥ 203,445
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale	¥ (831,660)	¥ 332,009	(499,651)
Reclassification adjustment for gains included in net income	2,656	(714)	1,942
Total	(829,004)	331,295	(497,709)
Net unrealized gains on derivatives qualifying for cash flow hedges	10,885	(4,164)	6,721
Reclassification adjustment for gains included in net income	(9,545)	3,651	(5,894)

Total	1,340	(513)	827
Minimum pension liability adjustments	(132,113)	51,265	(80,848)
Foreign currency translation adjustments	(54,711)	3,604	(51,107)
Reclassification adjustment for losses included in net income	591	(77)	514
Total	(54,120)	3,527	(50,593)
Total changes in equity from nonowner sources			¥ (424,878)
Fiscal year ended March 31, 2004:			
Net income			¥ 823,002
Other changes in equity from nonowner sources:			
Net unrealized holding gains on investment securities available for sale	¥ 824,150	¥ (338,099)	486,051
Reclassification adjustment for gains included in net income	(138,371)	54,917	(83,454)
Total	685,779	(283,182)	402,597
Net unrealized gains on derivatives qualifying for cash flow hedges	4,286	(1,740)	2,546
Reclassification adjustment for gains included in net income	(9,227)	3,529	(5,698)
Total	(4,941)	1,789	(3,152)
Minimum pension liability adjustments	167,510	(46,395)	121,115
Foreign currency translation adjustments	(38,877)	5,062	(33,815)
Reclassification adjustment for losses included in net income	9,839	(467)	9,372
Total	(29,038)	4,595	(24,443)
Total changes in equity from nonowner sources			¥ 1,319,119

See the accompanying notes to Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	2002	2003	2004
		(in millions)	
Preferred stock (Class 1) (Note 18):			
Balance at beginning of fiscal year	¥ 122,100	¥ 122,100	¥ 122,100
Balance at end of fiscal year	¥ 122,100	¥ 122,100	¥ 122,100
Preferred stock (Class 2) (Note 18):			
Balance at beginning of fiscal year	¥ 100,000	¥ 100,000	¥ 100,000
Conversion of Class 2 preferred stock to common stock			(85,000)
Balance at end of fiscal year	¥ 100,000	¥ 100,000	¥ 15,000
Common stock (Note 19):			
Balance at beginning of fiscal year	¥ 856,664	¥ 873,156	¥ 984,708
Issuance of new shares of common stock		111,552	
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			85,000
Balance at end of fiscal year	¥ 873,156	¥ 984,708	¥ 1,069,708
Capital surplus (Note 19):			
Balance at beginning of fiscal year	¥ 831,105	¥ 850,835	¥ 1,058,611
Issuance of new shares of common stock		110,620	
Recognition of tax benefit arising from treasury stock held by subsidiaries		54,008	
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	43,148	(711)
Balance at end of fiscal year	¥ 850,835	¥ 1,058,611	¥ 1,057,900
Retained earnings appropriated for legal reserve (Note 20):			
Balance at beginning of fiscal year	¥ 221,689	¥ 236,537	¥ 237,474
Transfer from unappropriated retained earnings	14,848	937	2,097
Balance at end of fiscal year	¥ 236,537	¥ 237,474	¥ 239,571
Unappropriated retained earnings (Note 20):			
Balance at beginning of fiscal year	¥ 274,809	¥ 13,808	¥ 170,408
Net income (loss)	(217,882)	203,445	823,002
Total	56,927	217,253	993,410
Deduction:			
Cash dividends (Note 1):			
Common share ¥4,127.63 in 2002, ¥6,000.00 in 2003 and ¥4,000.00 in 2004 per share	(24,103)	(33,404)	(24,916)

Preferred share (Class 1) ¥41,250.00 in 2002, ¥123,750.00 in 2003 and ¥82,500.00 in 2004 per share	(3,358)	(10,074)	(6,716)
Preferred share (Class 2) ¥8,100.00 in 2002, ¥24,300.00 in 2003 and ¥16,200.00 in 2004 per share	(810)	(2,430)	(1,265)
Transfer to retained earnings appropriated for legal reserve	(14,848)	(937)	(2,097)
Total	(43,119)	(46,845)	(34,994)
Balance at end of fiscal year (Note 33)	¥ 13,808	¥ 170,408	¥ 958,416
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	¥ 1,182,059	¥ 820,974	¥ 323,265
Net change during the fiscal year	(361,085)	(497,709)	402,597
Balance at end of fiscal year	¥ 820,974	¥ 323,265	¥ 725,862
Net unrealized gains on derivatives qualifying for cash flow hedges (Note 23):			
Balance at beginning of fiscal year	¥	¥ 3,696	¥ 4,523
Cumulative effect of a change in accounting principle	1,257		
Net change during the fiscal year	2,439	827	(3,152)
Balance at end of fiscal year	¥ 3,696	¥ 4,523	¥ 1,371
Minimum pension liability adjustments (Note 16):			
Balance at beginning of fiscal year	¥ (90,364)	¥ (182,295)	¥ (263,143)
Net change during the fiscal year	(91,931)	(80,848)	¥ 121,115
Balance at end of fiscal year	¥ (182,295)	¥ (263,143)	¥ (142,028)
Foreign currency translation adjustments:			
Balance at beginning of fiscal year	¥ (204,485)	¥ (125,450)	¥ (176,043)
Net change during the fiscal year	79,035	(50,593)	(24,443)
Balance at end of fiscal year	¥ (125,450)	¥ (176,043)	¥ (200,486)
Balance at end of fiscal year	¥ 516,925	¥ (111,398)	¥ 384,719
Treasury stock:			
Balance at beginning of fiscal year	¥ (109,029)	¥ (91,053)	¥ (3,275)
Purchases of shares of treasury stock	(7,384)	(965)	(467)
Sales of shares of treasury stock	25,339	89,976	1,081
Net increase resulting from changes in consolidated subsidiaries	21	(1,233)	218
Balance at end of fiscal year	¥ (91,053)	¥ (3,275)	¥ (2,443)
Total shareholders equity	¥ 2,622,308	¥ 2,558,628	¥ 3,844,971

See the accompanying notes to Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	2002	2003	2004
		(in millions)	
Cash flows from operating activities:			
Net income (loss)	¥ (217,882)	¥ 203,445	¥ 823,002
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Loss (income) from discontinued operations net	(1,235)	(10,370)	585
Depreciation and amortization	105,052	109,520	119,381
Goodwill amortization	7,862		
Provision (credit) for credit losses	598,412	437,972	(114,109)
Investment securities losses (gains) net	(6,806)	22,677	(118,648)
Foreign exchange losses (gains) net	524,272	(302,967)	(486,898)
Provision for deferred income tax expense (benefit)	(127,043)	8,267	308,542
Increase in trading account assets, excluding foreign exchange contracts	(196,044)	(1,116,568)	(430,353)
Increase (decrease) in trading account liabilities, excluding foreign exchange contracts	(1,604,006)	1,390,349	440,857
Decrease in accrued interest receivable and other receivables	128,646	35,053	17,699
Decrease in accrued interest payable and other payables	(190,986)	(80,862)	(28,195)
Other net	56,758	84,213	85,808
Net cash provided by (used in) operating activities	(923,000)	780,729	617,671
Cash flows from investing activities:			
Proceeds from sales of investment securities available for sale	34,157,562	27,062,165	29,334,674
Proceeds from maturities of investment securities available for sale	8,495,287	15,897,034	15,361,761
Purchases of investment securities available for sale	(45,397,706)	(44,832,560)	(47,106,706)
Proceeds from maturities of investment securities being held to maturity	36,970	73,279	59,790
Purchases of investment securities being held to maturity			(1,051,591)
Proceeds from sales of other investment securities	53,872	26,950	36,239
Purchases of other investment securities	(19,111)	(62,782)	(115,637)
Net decrease (increase) in loans	(552,865)	215,607	(1,240,290)
Net decrease in interest-earning deposits in other banks	1,920,108	69,379	260,128
Net decrease (increase) in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	927,975	1,116,562	(4,380,801)
Proceeds from sales of premises and equipment	49,036	70,248	38,441
Capital expenditures for premises and equipment	(110,391)	(50,596)	(51,965)
Other net	(107,368)	15,194	(267,380)
Net cash used in investing activities	(546,631)	(399,520)	(9,123,337)
Cash flows from financing activities:			
Net increase in deposits	2,274,803	4,751,481	4,061,827
Net decrease in debentures	(1,136,959)	(1,633,157)	(370,103)
Net increase in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	88,080	129,750	338,173
Net decrease in due to trust account	(1,390,493)	(880,607)	(21,349)
Net increase (decrease) in other short-term borrowings	1,355,660	(621,985)	2,833,091
Proceeds from issuance of long-term debt	884,991	1,072,400	1,300,373
Repayment of long-term debt	(767,312)	(1,084,018)	(712,984)
Proceeds from issuance of new shares of common stock, net of stock issue expenses		222,172	
Proceeds from sales of treasury stock	32,577	82,944	942
Payments to acquire treasury stock	(7,381)	(965)	(467)

Dividends paid	(28,275)	(45,904)	(32,840)
Other net	202,481	132,497	5,761
Net cash provided by financing activities	1,508,172	2,124,608	7,402,424
Effect of exchange rate changes on cash and cash equivalents	64,190	(49,635)	(73,372)
Net increase (decrease) in cash and cash equivalents	102,731	2,456,182	(1,176,614)
Cash and cash equivalents at beginning of fiscal year	1,729,668	1,832,399	4,288,581
Cash and cash equivalents at end of fiscal year	¥ 1,832,399	¥ 4,288,581	¥ 3,111,967
Supplemental disclosure of cash flow information:			
Cash paid during the fiscal year for:			
Interest	¥ 1,127,034	¥ 619,903	¥ 454,540
Income taxes, net of refunds	98,197	50,464	58,833
Non-cash investing activities:			
Loans transferred to other real estate owned	7,605	124	750
Available-for-sale securities transferred to held-to-maturity category (Note 4)			78,343
Marketable equity securities transferred to employee retirement benefit trusts	133,158	24,611	87,586

See the accompanying notes to Consolidated Financial Statements.

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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 ¥2.29 billion, an increase of ¥3.18 billion and an increase of ¥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.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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,

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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

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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.

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- 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

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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 ended March 31,		
	2002	2003	2004
		(in millions)	
Reported net income (loss)	¥ (217,882)	¥ 203,445	¥ 823,002
Stock-based employee compensation expense (determined under fair value based method for all awards, net of tax)	(1,369)	(2,019)	(1,965)
Pro forma net income (loss), after stock-based employee compensation expense	¥ (219,251)	¥ 201,426	¥ 821,037
Basic earnings (loss) per common share net income (loss) available to common shareholders:		(in Yen)	
Reported	¥ (39,976.55)	¥ 33,991.75	¥ 128,350.88
Pro forma	(40,222.95)	33,632.29	128,041.46
Diluted earnings (loss) per common share net income (loss) available to common shareholders:			
Reported	(39,976.55)	31,164.84	125,033.96
Pro forma	(40,222.95)	30,820.41	124,732.42

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

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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.

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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 ¥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 ¥5,867 million and other changes in equity from nonowner sources by ¥1,257 million, respectively, in 2002.

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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

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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	¥ 3,330	¥ 3,077	¥ 3,240
Income (loss) from discontinued operations	¥ (1,716)	¥ (16,227)	¥ 2,185
Loss on disposal			(2,026)
Income tax expense (benefit)	(2,951)	(26,597)	744
Income (loss) from discontinued operations net	¥ 1,235	¥ 10,370	¥ (585)

The following is a summary of the assets and liabilities of discontinued operations at March 31, 2003:

	(in millions)
Cash	¥ 8,326
Receivables under resale agreements	3,841
Loans, net of allowance for credit losses	11,612
Other assets	15,092
Total assets	¥ 38,871
Payables under repurchase agreements	¥ 3,820
Other short-term borrowings	10,820
Other liabilities	1,001
Total liabilities	¥ 15,641

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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	2004
	(in millions)	
Trading account assets:		
Trading securities:		
Japanese government, prefectural and municipal bonds	¥ 1,833,922	¥ 1,605,551
Commercial paper	2,492,950	3,142,364
Foreign governments bonds and other securities	462,120	1,182,408
Total	4,788,992	5,930,323
Trading derivative assets:		
Interest rate contracts:		
Forward and futures	28,660	13,763
Swap and swap-related products	4,297,090	3,197,178
Options purchased	126,987	94,561
Total	4,452,737	3,305,502
Foreign exchange contracts:		
Forward and futures	565,006	592,904
Swaps	471,308	309,959
Options purchased	58,214	88,037
Total	1,094,528	990,900
Other contracts, mainly equity and credit-related contracts	39,256	26,858
Bilateral netting of derivatives under master netting agreements	(2,012,130)	(1,874,831)
Total	¥ 8,363,383	¥ 8,378,752
Trading account liabilities:		
Trading securities sold, not yet purchased	¥ 205,708	¥ 220,283
Trading derivative liabilities:		
Interest rate contracts:		
Forward and futures	35,283	11,904

Swap and swap-related products	4,036,752	3,045,986
Options written	115,595	100,551
Total	4,187,630	3,158,441
Foreign exchange contracts:		
Forward and futures	512,864	534,521
Swaps	608,237	327,710
Options written	67,852	87,570
Total	1,188,953	949,801
Other contracts, mainly equity and credit-related contracts	32,992	57,272
Bilateral netting of derivatives under master netting agreements	(2,012,130)	(1,874,831)
Total	¥ 3,603,153	¥ 2,510,966

See Note 30 for the methodologies and assumptions used to estimate fair values.

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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	¥ 149,301	¥ 254,895	¥ (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	¥ 60,440	¥ 167,333	¥ 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				2004			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
				(in millions)				
Securities available for sale:								
Debt securities:								
Japanese national government and Japanese government agency bonds	¥ 10,912,961	¥ 112,885	¥ 1,959	¥ 11,023,887	¥ 14,651,744	¥ 36,143	¥ 10,429	¥ 14,677,458
Japanese prefectural and municipal bonds	463,387	9,798	25	473,160	248,044	2,757	40	250,761
Foreign governments and official institutions bonds	5,229,601	193,058	9,530	5,413,129	4,488,926	64,990	29,967	4,523,949
Corporate bonds	2,014,766	43,320	8,377	2,049,709	2,345,679	48,452	3,966	2,390,165
Mortgage-backed securities	1,203,359	21,678	6,360	1,218,677	1,148,801	30,746	4,632	1,174,915
Other debt securities	594,725	503	786	594,442	530,201	2,347	2,670	529,878
Marketable equity securities	2,856,692	771,504	46,920	3,581,276	2,410,421	1,674,409	1,640	4,083,190

Total	¥ 23,275,491	¥ 1,152,746	¥ 73,957	¥ 24,354,280	¥ 25,823,816	¥ 1,859,844	¥ 53,344	¥ 27,630,316
Securities being held to maturity debt securities:								
Japanese national government and Japanese government agency bonds	¥ 70,208	¥ 3,887	¥	¥ 74,095	¥ 1,050,931	¥ 3,898	¥ 1,218	¥ 1,053,611
Japanese prefectural and municipal bonds	95,904	5,929		101,833	108,884	3,348	2	112,230
Foreign governments and official institutions bonds	25,020	2,576		27,596	38,161	974		39,135
Corporate bonds					37,620	273	3	37,890
Other debt securities					15,163	12	140	15,035
Total	¥ 191,132	¥ 12,392	¥	¥ 203,524	¥ 1,250,759	¥ 8,505	¥ 1,363	¥ 1,257,901

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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 ¥145,431 million and ¥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	¥ 54,105	¥ 55,325	¥ 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	¥ 1,250,759	¥ 1,257,901	¥ 23,547,126

For the fiscal years ended March 31, 2002, 2003 and 2004, proceeds from sales of securities available for sale were ¥34,157,562 million, ¥27,062,165 million and ¥29,334,674 million, respectively. For the fiscal years ended March 31, 2002, 2003 and 2004, gross realized gains on those sales were ¥478,347 million, ¥575,339 million and ¥620,413 million, respectively, and gross realized losses on those sales were ¥172,421 million, ¥208,023 million and ¥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 ¥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 ¥293,861 million, ¥395,481 million and ¥230,074 million, respectively, which were included in Investment securities gains (losses) net in the consolidated statements of operations.

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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		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Number of securities
				(in millions)			
Securities available for sale:							
Debt securities:							
Japanese national government and Japanese government agency bonds	¥ 8,642,589	¥ 10,429	¥	¥	¥ 8,642,589	¥ 10,429	62
Japanese prefectural and municipal bonds	3,969	40			3,969	40	19
Foreign governments and official institutions bonds	1,454,035	29,967			1,454,035	29,967	137
Corporate bonds	267,327	3,966			267,327	3,966	146
Mortgage-backed securities	356,098	4,632	14		356,112	4,632	98
Other debt securities	101,907	345	13,746	2,325	115,653	2,670	100
Marketable equity securities	24,571	1,640			24,571	1,640	7
Total	¥ 10,850,496	¥ 51,019	¥ 13,760	¥ 2,325	¥ 10,864,256	¥ 53,344	569
Securities being held to maturities debt securities:							
Japanese national government and Japanese government agency bonds	¥ 349,118	¥ 1,218	¥	¥	¥ 349,118	¥ 1,218	3
Japanese prefectural and municipal bonds	1,431	2			1,431	2	5
Corporate bonds	1,414	3			1,414	3	2
Other debt securities	10,305	140			10,305	140	5
Total	¥ 362,268	¥ 1,363	¥	¥	¥ 362,268	¥ 1,363	15

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,

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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 ¥325,749 million for ¥391,698 million, an aggregate cost of ¥163,861 million for ¥240,574 million and an aggregate cost of ¥54,366 million for ¥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 ¥527,967 million, ¥361,782 million and ¥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 ¥35,442 million, ¥41,883 million and ¥89,581 million, respectively, on the sales of the ETF certificates. The MTFG Group held ETF certificates with fair values of ¥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 ¥2,000 million (preferred contributions). BSPC

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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 ¥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 ¥2,000 million to BSPC as preferred contributions. BTM and Mitsubishi Trust sold marketable equity securities with aggregate market values of ¥20,647 million, ¥2,289 million and ¥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 ¥1,652 million and ¥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 ¥35,600 million, ¥79,735 million and ¥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 ¥2,000 million and subordinated contributions of ¥1,835 million for impairment, and recognized an impairment loss of ¥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 ¥5,913 million, a loss of ¥10 million and a gain of ¥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 ¥181,570 million and ¥81,835 million for the fiscal years ended March 31, 2003 and 2004, respectively.

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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	¥ 6,034,347	¥ 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	¥ 48,465,569(1)	¥ 48,525,856(1)

Notes:

(1) The above table includes loans held for sale of ¥3,965 million and ¥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	Other industries	Total included in Consumer
			(in millions)					
¥28,229	¥ 19,283	¥ 738,377	¥ 230,730	¥ 52,253	¥ 1,200	¥ 4,121	¥ 10,620	¥ 1,084,813

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

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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 ¥8,514,286 million and ¥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 ¥2,732,627 million and ¥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 ¥77.0 billion and ¥45.2 billion, respectively, of which approximately ¥57.6 billion and ¥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 ¥20,399 million and ¥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	¥ 2,408,523	¥ 894,380	¥ 1,405,761	¥ 563,560
Not requiring an impairment allowance	211,193		183,135	
Total	¥ 2,619,716	¥ 894,380	¥ 1,588,896	¥ 563,560

Note: In addition to impaired loans presented in the above table, there were loans held for sale that were impaired of ¥3,790 million and ¥12,637 million at March 31, 2003 and 2004, respectively.

The average recorded investments in impaired loans were approximately ¥4,158 billion, ¥3,345 billion and ¥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 ¥76.8 billion, ¥67.4 billion and ¥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	¥683,034	¥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	¥686,349	¥606,154

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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	¥ 152,191
2006	122,076
2007	86,377
2008	56,331
2009	30,128
2010 and thereafter	147,871
Total minimum lease payment receivables	¥ 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 Administration 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 ¥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 ¥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 ¥136,681 million and ¥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.

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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 ¥12,632 million and ¥45,004 million, respectively. The gain on sales of loan was ¥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.

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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	¥ 1,716,984	¥ 1,735,180	¥ 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	¥ 1,735,180	¥ 1,360,136	¥ 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 ¥174.0 billion, ¥369.6 billion and ¥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	¥ 193,278	¥ 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	¥ 643,794	¥ 580,073

Premises and equipment include capitalized leases, principally related to data processing equipment, which amounted to ¥38,750 million and ¥40,595 million at March 31, 2003 and 2004, respectively. Accumulated depreciation on such capitalized leases at March 31, 2003 and 2004 amounted to ¥22,517 million and ¥26,752 million, respectively.

Depreciation expense of premises and equipment for the fiscal years ended March 31, 2002, 2003 and 2004 was ¥68,120 million, ¥63,015 million and ¥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 ¥91,500 million and in its main office land and building (including structure and equipment)

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for ¥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 ¥100,600 million as a financing obligation. Under the lease agreement, BTM made non-interest-bearing deposits of ¥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 ¥102,208 million and ¥102,795 million, respectively, and total rental payments amounted to ¥6,190 million and ¥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 ¥13,004 million and ¥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, ¥2,619 million and ¥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 ¥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.

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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					Mitsubishi Trust			
	Global Retail Banking	Corporate Banking	Investment Banking	Mitsubishi Securities	UNBC	Trust Banking	Trust Assets	Real Estate	Total
					(in millions)				
For the fiscal year ended March 31, 2003									
Balance at March 31, 2002	¥	¥ 23	¥ 509	¥	¥ 11,169	¥	¥ 14,735	¥ 14,950	¥ 41,386
Impairment recognized by the transitional impairment test		(23)	(509)						(532)
Goodwill acquired during the fiscal year.				408	9,646				10,054
Reclassified to core deposit intangible					(1,799)				(1,799)
Foreign currency translation adjustments and other					(966)				(966)
Balance at March 31, 2003	¥	¥	¥	¥ 408	¥ 18,050	¥	¥ 14,735	¥ 14,950	¥ 48,143
For the fiscal year ended March 31, 2004									
Balance at March 31, 2003	¥	¥	¥	¥ 408	¥ 18,050	¥	¥ 14,735	¥ 14,950	¥ 48,143
Goodwill acquired during the fiscal year.	9				10,876	61			10,946
Goodwill written off related to sale of subsidiaries.				(280)					(280)
Foreign currency translation adjustments and other					(2,119)				(2,119)
Balance at March 31, 2004	¥ 9	¥	¥	¥ 128	¥ 26,807	¥ 61	¥ 14,735	¥ 14,950	¥ 56,690

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	2003	2004
Net income (loss) (in millions):			
Reported income (loss)	¥ (217,882)	¥ 203,445	¥ 823,002
Goodwill amortization	7,877		
Adjusted net income (loss)	¥ (210,005)	¥ 203,445	¥ 823,002
Basic earnings (loss) per share (in yen):			
Reported basic earnings (loss) per share net income (loss) available to common shareholders	¥ (39,976.55)	¥ 33,991.75	¥ 128,350.88
Goodwill amortization	1,418.13		
Adjusted basic earnings (loss) per share net income (loss) available to common shareholders	¥ (38,558.42)	¥ 33,991.75	¥ 128,350.88
Diluted earnings (loss) per share (in yen):			
Reported diluted earnings (loss) per share net income (loss) available to common shareholders	¥ (39,976.55)	¥ 31,164.84	¥ 125,033.96
Goodwill amortization	1,418.13		
Adjusted diluted earnings (loss) per share net income (loss) available to common shareholders	¥ (38,558.42)	¥ 31,164.84	¥ 125,033.96

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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	Accumulated amortization	Net carrying amount
	(in millions)					
Intangible assets subject to amortization:						
Software	¥ 354,692	¥ 196,611	¥ 158,081	¥ 396,504	¥ 181,948	¥ 214,556
Core deposit intangible	5,486	3,886	1,600	4,041	1,672	2,369
Other	7,565	3,163	4,402	9,482	5,455	4,027
Total	¥ 367,743	¥ 203,660	164,083	¥ 410,027	¥ 189,075	220,952
Intangible assets recorded in connection with the additional minimum pension liabilities under SFAS No. 87 (See Note 16)			14,568			5,063
Intangible assets not subject to amortization			8,247			8,124
Total			¥ 186,898			¥ 234,139

Intangible assets subject to amortization acquired during the fiscal year ended March 31, 2004 amounted ¥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	¥ 63,283
2006	56,179
2007	41,026
2008	27,899
2009	13,122

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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	2003	2004
		(in millions)	
Current:			
Domestic	¥ (8,617)	¥ 17,971	¥ (3,689)
Foreign	39,454	43,634	52,964
Total	30,837	61,605	49,275
Deferred:			
Domestic	(116,250)	(26,150)	292,357
Foreign	(14,316)	34,417	16,185
Total	(130,566)	8,267	308,542
Income tax expense (benefit)	(99,729)	69,872	357,817
Income tax expense (benefit) from discontinued operations	(2,951)	(26,597)	744
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	(221,218)	(331,295)	283,182
Cumulative effect of a change in accounting principle	808		
Derivatives qualifying for cash flow hedges	1,289	513	(1,789)
Minimum pension liability adjustments	(30,815)	(51,265)	46,395
Foreign currency translation adjustments	5,450	(3,527)	(4,595)
Total	(244,486)	(385,574)	323,193
Total	¥ (343,643)	¥ (342,299)	¥ 681,754

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 ¥37,479 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.

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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 ¥72.4 billion in tax payments to 18 major banks and to pay an additional ¥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 ¥18.4 billion, ¥18.6 billion and ¥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 ¥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 ¥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 ¥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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

subsequent to the fiscal year ending March 31, 2005. The change in tax rate resulted in a decrease of ¥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 ¥3,410 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	(2.6)	(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	17.4	14.7	(12.6)
Expiration of loss carryforwards of subsidiaries	0.1	3.3	
Enacted change in tax rates		(28.4)	(0.3)
Realization of previously unrecognized tax benefits of subsidiaries	(11.2)	(15.7)	(1.2)
Other net	(0.7)	(0.9)	2.0
Effective income tax rate	30.7%	26.5%	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.

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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	2004
	(in millions)	
Deferred tax assets:		
Allowance for credit losses	¥ 694,972	¥ 492,269
Net operating loss carryforwards	893,459	751,591
Accrued severance indemnities and pension liabilities	177,602	112,937
Investment securities	153,586	
Non-interest-earning deposits with the Special Fund and the New Fund (See Note 5)	16,431	14,329
Other real estate owned	227	205
Accrued liabilities and other	64,670	77,747
Sale-and-leaseback transactions	38,893	38,975
Derivative financial instruments		11,794
Depreciation	18,622	23,038
Valuation allowance	(318,709)	(133,803)
Total deferred tax assets	1,739,753	1,389,082
Deferred tax liabilities:		
Investment securities		321,674
Deferred profit on property for income tax purposes	15,720	12,771
Equipment and auto leasing	96,769	81,676
Derivative financial instruments	34,934	
Other	17,070	23,246
Total deferred tax liabilities	164,493	439,367
Net deferred tax assets	¥ 1,575,260	¥ 949,715

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 ¥62,130 million and a decrease of ¥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.

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At March 31, 2004, the MTFG Group had operating loss carryforwards of ¥1,737,926 million and tax credit carryforwards of ¥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	¥ 1,535	¥
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	¥ 1,737,926	¥ 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 ¥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)	¥ (386,872)	¥ 145,106	¥ 1,047,231
Foreign income	62,159	118,373	134,173
Total	¥ (324,713)	¥ 263,479	¥ 1,181,404

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	¥ 76
Trading account securities	2,268,147
Investment securities	3,461,860
Loans	4,420,923
Other	41,593
Total	¥ 10,192,599

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The above pledged assets are classified by type of liabilities to which they relate as follows:

	(in millions)
Deposits	¥ 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	¥ 10,192,599

In addition, at March 31, 2004, certain investment securities, principally Japanese national government and Japanese government agency bonds, aggregating ¥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 ¥2,879,345 million and ¥1,946,932 million, respectively. Average reserves during the fiscal years ended March 31, 2003 and 2004 were ¥1,302,729 million and ¥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 ¥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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ¥10,322 billion, of which approximately ¥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 ¥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 ¥17,439,570 million and ¥5,344,997 million, respectively, at March 31, 2003, and ¥15,780,157 million and ¥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	¥ 17,859,043	¥ 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	¥ 26,374,999	¥ 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.

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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)	¥ 260,880	¥ 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	¥ 636,060	¥ 265,957

All debentures of ¥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	2004
		(in millions)	
Average balance during the fiscal year:			
Call money and funds purchased	¥ 1,968,252	¥ 2,175,394	¥ 2,492,308
Call loans and funds sold	1,230,103	597,004	585,506
Net funds purchased position	¥ 738,149	¥ 1,578,390	¥ 1,906,802
Call money and funds purchased:			
Outstanding at end of fiscal year:			
Amount	¥ 2,542,489	¥ 2,689,892	¥ 2,871,851
Principal range of maturities	1 day to 30 days	1 day to 30 days	1 day to 30 days
Weighted average interest rate	0.61%	0.30%	0.26%
Maximum balance at any month-end during the fiscal year	¥ 2,542,489	¥ 2,981,442	¥ 4,437,982
Weighted average interest rate paid during the fiscal year	0.91%	0.58%	0.40%

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.

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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	¥ 2,940,975	¥ 1,691,359	¥ 1,326,313
Maximum balance at any month-end during the fiscal year	3,533,489	2,188,326	1,403,734
Weighted average interest rate during the fiscal year	0.57%	0.51%	0.37%

15. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2003 and 2004, the MTFG Group had unused lines of credit amounting to ¥3,431,430 million and ¥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	2004
	(in millions)	
Domestic offices:		
Loans on notes and acceptances transferred with recourse (rediscount)	¥ 1,227,170	¥ 4,029,196
Commercial paper	466,000	736,200
Borrowings from financial institutions	626,000	448,500
Other	221,416	211,440
Total domestic offices	2,540,586	5,425,336
Foreign offices:		
Commercial paper	221,209	193,838
Other	92,599	44,208

Total foreign offices	313,808	238,046
Total	2,854,394	5,663,382
Less unamortized discount	366	315
Other short-term borrowings net	¥ 2,854,028	¥ 5,663,067
Weighted average interest rate on outstanding balance at end of fiscal year	0.48%	0.12%

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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	¥ 2,038,669	¥ 2,763,028	¥ 3,727,461
Maximum balance at any month-end during the fiscal year	3,318,634	2,870,339	5,663,067
Weighted average interest rate during the fiscal year	2.24%	1.02%	0.40%

Long-term debt (with original maturities of more than one year) at March 31, 2003 and 2004 was comprised of the following:

	2003	2004
	(in millions)	
BTM:		
Obligations under capital leases.	¥ 22,407	¥ 21,194
Obligation under sale-and-leaseback transactions	102,208	102,795
Unsubordinated debt:		
Insurance companies and other institutions, maturing serially through 2035, principally 0.25%-7.49%.	350,427	506,286
Fixed rate bonds, payable in Japanese yen, due 2004-2022, principally 0.22%-3.00%.	1,730,000	2,001,860
Subordinated debt:		
Fixed rate notes, payable in United States dollars, due 2010, 8.40%	240,250	211,267
Fixed rate bonds, payable in Japanese yen, due 2006-2013, principally 0.55%-2.39%	200,000	320,000
Fixed rate borrowings, payable in Japanese yen, due 2004-2012, principally 1.69%-6.20%	402,650	386,150
Adjustable rate bonds, payable in Japanese yen, due 2011-2012, principally 0.56%-1.05%	33,000	33,000
Adjustable rate borrowings, payable in Japanese yen, due 2005-2018, principally 0.69%-3.75%	202,500	176,500
Adjustable rate borrowings, payable in Yuan, due 2006, principally 2.80%-3.96%		683
Floating rate borrowings, payable in Japanese yen, due 2005-2010, principally 0.06%-0.42%	12,900	9,000
Total	3,296,342	3,768,735
Mitsubishi Trust:		
Obligation under capital leases.	585	206
Unsubordinated debt:		
Insurance companies and other institutions, due 2004-2035, principally 0.00%-4.75%.	45,947	60,185
Subordinated debt:		
Fixed rate borrowings, payable in Japanese yen, due 2004-2013, principally 1.25%-4.92%.	53,000	91,000
Adjustable rate borrowings, payable in Japanese yen, due 2010-2012, principally 0.61%-3.25%.	34,000	34,000
Floating rate borrowings, payable in Japanese yen, due 2006, 0.85%	64,000	10,000
Perpetual bonds, payable in Japanese yen, principally 1.11%-2.25%.	65,600	96,400
Fixed rate bonds, payable in Japanese yen, due 2010, 2.70%.	30,000	30,000
Adjustable rate bonds, payable in Japanese yen, due 2010-2016, principally 0.76%-2.45%.	116,400	116,400

Total	409,532	438,191

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	2003	2004
	(in millions)	
Other subsidiaries:		
Unsubordinated debt:		
Insurance companies and other institutions, due 2004-2011, principally 0.32%-11.62%	¥ 225,343	¥ 202,599
0.25% Convertible Bonds due 2014, payable in Japanese yen	51,295	50,700
Fixed rate bonds and notes, payable in United States dollars, due 2004-2018, principally 2.20%-6.53%	38,013	36,380
Fixed rate bonds and notes, payable in Japanese yen, due 2004-2017, principally 0.17%-4.40%	98,588	107,045
Adjustable rate bonds and notes, payable in United States dollars, due 2007-2023, principally 6.46%-8.44%	8,744	8,135
Adjustable rate bonds and notes, payable in Japanese yen, due 2007-2021, principally 1.34%-4.71%	21,645	10,088
Floating rate bonds and notes, payable in United States dollars, due 2005-2010, principally 1.97%-5.10%	3,585	3,386
Floating rate bonds and notes, payable in Japanese yen, due 2004-2023, principally 0.13%-4.71%	65,865	67,386
Floating rate notes, payable in Euro, due 2017, 4.59%	1,254	
Obligations under capital leases and other miscellaneous debt	40,476	31,262
Total unsubordinated debt	554,808	516,981
Subordinated debt:		
Insurance companies and other institutions, due 2005-2010, principally 3.10%-3.39%	4,335	4,605
Undated notes, payable in Japanese yen, principally 0.40%-4.90%	58,000	58,000
Fixed rate undated notes, payable in Japanese yen, principally 1.40%-2.60%	9,791	38,967
Perpetual Bonds, payable in Japanese yen, principally 1.11%-3.15%	20,300	20,300
Fixed rate bonds and notes, payable in United States dollars, due 2007-2029, principally 5.25%-7.35%	6,418	49,222
Fixed rate bonds and notes, payable in Japanese yen, due 2006-2028, principally 0.37%-5.10%	95,407	89,451
Adjustable rate undated notes, payable in United States dollars, 3.04%	4,796	
Adjustable rate undated notes, payable in Japanese yen, principally 0.77%-3.16%	335,809	299,448
Adjustable rate bonds and notes, payable in United States dollars, due 2009, 2.00%	3,556	3,166
Adjustable rate bonds and notes, payable in Japanese yen, due 2006-2014, principally 0.12%-5.93%	193,871	180,042
Floating rate undated notes, payable in Japanese yen, principally 1.27%-1.57%	53,697	91,323
Floating rate bonds and notes, payable in United States dollars, due 2006-2013, principally 1.98%-5.12%	5,996	6,421
Floating rate bonds and notes, payable in Japanese yen, due 2004-2027, principally 0.04%-5.61%	60,318	50,556
Other miscellaneous debt	2,657	5,480
Total subordinated debt	854,951	896,981
Mandatorily redeemable preferred securities of subsidiary grantor trust	43,499	
Junior subordinated debt payable to subsidiary grantor trust		38,989
Total	1,453,258	1,452,951
Total	¥ 5,159,132	¥ 5,659,877

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 ¥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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain unsubordinated bonds and notes (aggregating ¥43,680 million at March 31, 2004), and certain subordinated bonds and notes (aggregating ¥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	¥ 474,045	¥ 20,237	¥ 113,597	¥ 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	¥ 3,768,735	¥ 438,191	¥ 1,452,951	¥ 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	2004
		(in millions)	
Service cost benefits earned during the fiscal year	¥ 22,741	¥ 25,295	¥ 25,486
Interest costs on projected benefit obligation	25,166	24,200	20,126
Expected return on plan assets	(24,403)	(25,450)	(18,547)
Amortization of unrecognized net obligation at transition	4,199	4,086	3,943
Amortization of unrecognized prior service cost	3,405	2,132	(1,047)
Amortization of net actuarial loss	10,998	22,506	34,873
Loss on settlements	5,240	6,373	4,292
Net periodic benefit cost	¥ 47,346	¥ 59,142	¥ 69,126
Weighted-average assumptions used:			
Discount rates in determining expense	2.88%	2.47%	1.88%
Discount rates in determining benefit obligation	2.47	1.88	2.10
Rates of increase in future compensation level for determining expense	3.12	3.09	2.96
Rates of increase in future compensation level for determining benefit obligation	3.09	2.96	3.12
Expected rates of return on plan assets	4.45	3.73	2.67

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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			2004		
	Severance indemnities plans and non-contributory pension plans	Contributory pension plans	Total	Severance indemnities plans and non-contributory pension plans	Contributory pension plans	Total
	(in millions)					
Change in benefit obligation:						
Benefit obligation at beginning of fiscal year	¥ 143,065	¥ 835,942	¥ 979,007	¥ 178,619	¥ 901,364	¥ 1,079,983
Service cost	7,976	17,319	25,295	9,198	16,288	25,486
Interest cost	3,887	20,313	24,200	3,067	17,059	20,126
Plan participants contributions		2,934	2,934		2,447	2,447
Amendments	(3,447)	(44,027)	(47,474)	1,795	(2,570)	(775)
Acquisitions	28,106		28,106			
Divestitures				(37)		(37)
Actuarial loss (gain)	16,205	90,182	106,387	2,499	(30,345)	(27,846)
Benefits paid	(1,893)	(21,299)	(23,192)	(3,449)	(23,226)	(26,675)
Lump-sum payment	(15,280)		(15,280)	(14,637)		(14,637)
Benefit obligation at end of fiscal year	178,619	901,364	1,079,983	177,055	881,017	1,058,072
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	78,602	580,511	659,113	77,392	598,841	676,233
Actual return (negative return) on plan assets	(14,057)	(49,214)	(63,271)	21,036	87,756	108,792
Acquisitions	12,248		12,248			
Divestitures				(24)		(24)
Employer contributions	2,492	85,909	88,401	21,299	114,641	135,940
Plan participants contributions		2,934	2,934		2,447	2,447
Benefits paid	(1,893)	(21,299)	(23,192)	(3,449)	(23,226)	(26,675)
Fair value of plan assets at end of fiscal year	77,392	598,841	676,233	116,254	780,459	896,713
Projected benefit obligation in excess of plan assets at end of fiscal year	(101,227)	(302,523)	(403,750)	(60,801)	(100,558)	(161,359)
Contributions to or benefits paid from plan assets during three months ended March 31, 2003 and 2004	5,034	10,289	15,323	3,824	5,134	8,958
Unrecognized net actuarial loss	75,634	435,413	511,047	48,911	304,843	353,754
Unrecognized prior service cost	(2,015)	(26,205)	(28,220)	(289)	(27,658)	(27,947)
Unrecognized net (asset) obligation at transition	(841)	12,115	11,274	(210)	7,581	7,371

Net amount recognized	¥ (23,415)	¥ 129,089	¥ 105,674	¥ (8,565)	¥ 189,342	¥ 180,777
Amounts recognized in the balance sheets:						
Prepaid pension cost	¥ 334	¥	¥ 334	¥ 8,770	¥ 98,489	¥ 107,259
Accrued pension liability	(75,766)	(245,008)	(320,774)	(50,535)	(124,404)	(174,939)
Intangible assets	1,710	12,843	14,553	3,285	1,772	5,057
Accumulated other changes in equity from nonowner sources	50,307	361,254	411,561	29,915	213,485	243,400
Net amount recognized	¥ (23,415)	¥ 129,089	¥ 105,674	¥ (8,565)	¥ 189,342	¥ 180,777

Note: The aggregated accumulated benefit obligations of these plans were ¥1,012,330 million and ¥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.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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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 ¥1,079,983 million, ¥1,012,330 million and ¥676,233 million, respectively at March 31, 2003 and ¥802,134 million, ¥767,077 million and ¥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:

	Contributory Pension Plan Assets at December 31,	
Asset category	**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 ¥1,047 million (0.24% of contributory pension plan assets) and ¥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 ¥274 million (0.06% of contributory pension plan assets) and ¥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.

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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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ¥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	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 ¥205 million (0.12% of total plan assets) and ¥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 ¥63 million (0.04% of total plan assets) and ¥154 million (0.05% of total plan assets) at March 31, 2003 and 2004, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ¥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.

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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 ¥9,914 million, ¥14,150 million and ¥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 ¥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 ¥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 ¥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 ¥133,158 million, ¥24,612 million and ¥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 ¥23,604 million, a loss of ¥1,175 million and a gain of ¥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 ¥5,682 million, ¥7,140 million and ¥8,285 million, respectively, including ¥2,584 million, ¥3,487 million and ¥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 ¥1,373 million, ¥1,962 million and ¥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

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	2004
		(in millions)	
Service cost benefits earned during the fiscal year	¥ 3,521	¥ 4,492	¥ 5,060
Interest costs on projected benefit obligation	6,317	7,550	7,567
Expected return on plan assets	(7,462)	(9,167)	(9,769)
Amortization of unrecognized net obligation at transition	233	455	307
Amortization of unrecognized prior service cost	(30)	(31)	(89)
Amortization of net actuarial loss	378	722	1,866
Net periodic benefit cost	¥ 2,957	¥ 4,021	¥ 4,942
Weighted-average assumptions used:			
Discount rates in determining expense	7.53%	7.30%	6.79%
Discount rates in determining benefit obligation	7.30	6.79	6.23
Rates of increase in future compensation level for determining expense	5.00	4.89	4.90
Rates of increase in future compensation level for determining benefit obligation	4.89	4.90	5.03
Expected rates of return on plan assets	8.30	8.35	8.24

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	2004
	(in millions)	
Change in benefit obligation:		
Benefit obligation at beginning of fiscal year	¥ 107,916	¥ 119,451
Service cost	4,492	5,060
Interest cost	7,550	7,567
Plan participants contributions	202	228
Amendments	(1,071)	(682)
Actuarial loss	15,836	7,774
Benefits paid	(4,678)	(4,983)
Translation adjustments	(10,796)	(13,963)
Benefit obligation at end of fiscal year	119,451	120,452
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	94,787	96,448
Actual return (negative return) on plan assets	(9,015)	21,741
Employer contributions	24,154	14,755
Plan participants contributions	202	228
Benefits paid	(4,577)	(4,925)
Translation adjustments	(9,103)	(12,764)
Fair value of plan assets at end of fiscal year	96,448	115,483
Projected benefit obligation in excess of plan assets at end of fiscal year	(23,003)	(4,969)
Unrecognized net actuarial loss	47,866	36,826
Unrecognized prior service cost	156	(412)
Unrecognized net obligation at transition	3,343	2,599
Net amount recognized	¥ 28,362	¥ 34,044
Amounts recognized in the balance sheets:		
Prepaid pension cost	¥ 30,645	¥ 37,147
Accrued pension liability	(3,375)	(3,559)
Intangible assets	15	6
Accumulated other changes in equity from nonowner sources	1,077	450
Net amount recognized	¥ 28,362	¥ 34,044

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. OTHER ASSETS AND LIABILITIES

Major components of other assets and liabilities at March 31, 2003 and 2004 were as follows:

	2003	2004
	(in millions)	
Other assets:		
Accounts receivable:		
Receivables from brokers, dealers and customers for securities transactions	¥ 445,617	¥ 267,155
Other	227,669	255,988
Investments in affiliated companies	80,211	104,407
Other real estate owned, net	7,337	3,577
Non-interest-earning deposits with the Special Fund and the New Fund (See Note 5)	136,681	140,828
Other	851,920	1,283,775
Total	¥ 1,749,435	¥ 2,055,730
Other liabilities:		
Accounts payable:		
Payables to brokers, dealers and customers for securities transactions	¥ 706,899	¥ 734,636
Other	471,274	409,455
Deferred tax liabilities	60,866	57,561
Allowance for off-balance-sheet credit instruments	83,274	110,671
Accrued pension liability	330,942	190,237
Minority interest	338,728	363,948
Accrued and other liabilities	580,520	601,168
Guarantees and indemnifications	17,680	21,566
Total	¥ 2,590,183	¥ 2,489,242

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 ¥5,814 million and ¥499 million, respectively. The valuation allowance decreased by ¥26,461 million, ¥5,381 million and ¥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 ¥31,140 million and ¥33,977 million, respectively, at March 31, 2003 and 2004. Corresponding aggregated market values were ¥27,761 million and ¥67,165 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 ¥3,000 thousand, ¥2,000 thousand, ¥2,500 thousand and ¥2,500 thousand per share, respectively, and do not have the right to participate in any further liquidation distributions.

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Class 1 Preferred Stock

Class 1 Preferred Stock is redeemable at the option of MTFG. An annual dividend (not to exceed ¥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 ¥3,000 per share (¥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 ¥3,000 thousand per share, in whole or in part and proposes to appropriate ¥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 ¥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 ¥2,000 per share (¥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 ¥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 ¥1,357,559.2 nor be below ¥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 ¥714,285.0, the conversion price will be ¥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 ¥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 ¥1,391,428.0 to ¥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 ¥1,391,428.0 to ¥1,357,559.2 and from ¥714,285.0 to ¥696,898.5, respectively.

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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 ¥1,357,559.2 to ¥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 ¥696,898.5 to ¥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 ¥85,000 million from ¥100,000 million at March 31, 2003 to ¥15,000 million at March 31, 2004 and common stock increased by ¥85,000 million from ¥984,708 million at March 31, 2003 to ¥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 ¥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 ¥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.

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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	2004
		(shares)	
Balance at beginning of fiscal year	5,587,068	5,742,468	6,232,162
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			243,938
Balance at end of fiscal year	5,742,468	6,232,162	6,476,100

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 ¥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.

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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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ¥924,400 million, preferred stock of ¥222,100 million, legal capital surplus of ¥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 ¥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 ¥31,241 million compared with ¥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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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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	¥ 5,968,401	10.84%	¥ 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	¥ 6,992,757	12.95%	¥ 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	¥ 3,979,265	10.24%	¥ 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	¥ 4,677,718	12.18%	¥ 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

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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 OCC requires to be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(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	10.00%
Tier I capital (to risk-weighted assets)	3,335	10.37	1,286	4.00	1,930	6.00
Tier I capital (to quarterly average assets)	3,335	9.01	1,481	4.00	1,851	5.00
At December 31, 2003:						
Total capital (to risk-weighted assets)	$ 3,863	11.88%	$ 2,602	8.00%	$ 3,253	10.00%
Tier I capital (to risk-weighted assets)	3,396	10.44	1,301	4.00	1,952	6.00
Tier I capital (to quarterly average assets)	3,396	8.30	1,637	4.00	2,046	5.00

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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	2003	2004
		(in millions)	
Income (Numerator):			
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	¥ (224,984)	¥ 193,607	¥ 823,587
Income (loss) from discontinued operations	1,235	10,370	(585)
Cumulative effect of a change in accounting principle	5,867	(532)	
Net income (loss)	(217,882)	203,445	823,002
Income allocable to preferred shareholders	(4,168)	(12,504)	(7,981)
Income (loss) available to common shareholders	¥ (222,050)	¥ 190,941	¥ 815,021
Effect of dilutive securities:			
Convertible preferred stock (Class 2)	¥	¥ 2,430	¥ 1,265
3% Exchangeable Guaranteed Notes redeemed on November 30, 2002		(10,660)	
Convertible debt Mitsubishi Securities			(939)
Stock option Mitsubishi Securities .			(8)
Stock option UnionBanCal Corporation			(554)
Income (loss) available to common shareholders and assumed conversions	¥ (222,050)	¥ 182,711	¥ 814,785

	2002	2003	2004

		(thousands of shares)	
Shares (Denominator):			
Weighted average common shares outstanding	5,555	5,617	6,350
Effect of dilutive securities:			
Convertible preferred stock (Class 2)		147	167
3% Exchangeable Guaranteed Notes redeemed on November 30, 2002		99	
Weighted average common shares for diluted computation	5,555	5,863	6,517

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	2002	2003	2004
		(in yen)	
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	¥ (41,255.15)	¥ 32,240.37	¥128,443.00
Income (loss) from discontinued operations	222.34	1,846.09	(92.12)
Income (loss) available to common shareholders before cumulative effect of a change in accounting principle	(41,032.81)	34,086.46	128,350.88
Cumulative effect of a change in accounting principle	1,056.26	(94.71)	
Net income (loss) available to common shareholders	¥ (39,976.55)	¥ 33,991.75	¥128,350.88
Diluted earnings (loss) per common share:			
Income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	¥ (41,255.15)	¥ 29,486.78	¥125,123.73
Income (loss) from discontinued operations	222.34	1,768.80	(89.77)
Income (loss) available to common shareholders before cumulative effect of a change in accounting principle	(41,032.81)	31,255.58	125,033.96
Cumulative effect of a change in accounting principle .	1,056.26	(90.74)	
Net income (loss) available to common shareholders	¥ (39,976.55)	¥ 31,164.84	¥125,033.96

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 1¼% Convertible Bonds due 2013 and ¼% 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., ¥1,357,559.2 and ¥696,898.5, respectively).

Subsequent to March 31, 2004, MTFG has reset the conversion price of Class 2 Preferred Stock from ¥696,898.5 to ¥971,415 as described in Note 18. Based on the reset conversion price of ¥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:

	2004
	(in yen)
Diluted earnings per common share:	
Income from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	¥ 125,240.75
Loss from discontinued operations	(89.94)
Income available to common shareholders before cumulative effect of a change in accounting principle	125,150.81
Cumulative effect of a change in accounting principle	
Net income available to common shareholders .	¥ 125,150.81

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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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.

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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 ¥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.

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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 ¥70.9 billion and ¥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 period				
		Less than 1 year	1-2 years	2-3 years	3-5 years	Over 5 years
		(in billions)				
Standby letters of credit and financial guarantees	¥ 4,021	¥ 1,655	¥ 235	¥ 297	¥ 399	¥ 1,435
Performance guarantees	1,092	742	151	85	62	52
Liquidity facilities	1,361	1,361				
Derivative instruments	29,054	23,839	1,359	1,228	1,954	674
Guarantees for the repayment of trust principal	2,411	531	740	567	379	194
Liabilities of trust accounts	3,078	2,819	7	2	9	241

Other	2	2				
Total	¥ 41,019	¥ 30,949	¥ 2,492	¥ 2,179	¥ 2,803	¥ 2,596

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At March 31, 2004	Maximum potential/ Contractual or Notional amount	Amount by expiration period				
		Less than 1 year	1-2 years	2-3 years	3-5 years	Over 5 years
		(in billions)				
Standby letters of credit and financial guarantees	¥ 2,747	¥ 1,074	¥ 201	¥ 164	¥ 260	¥ 1,048
Performance guarantees	1,213	662	199	128	139	85
Liquidity facilities	603	603				
Derivative instruments	21,205	16,456	1,447	1,140	1,582	580
Guarantees for the repayment of trust principal	2,080	349	1,107	282	333	9
Liabilities of trust accounts	3,886	3,600	10	5	11	260
Other	309	309				
Total	¥ 32,043	¥ 23,053	¥ 2,964	¥ 1,719	¥ 2,325	¥ 1,982

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 ¥2,411 billion and ¥2,080 billion, respectively. The accounting methods used for the segregated records of trust activities are different from financial accounting principles and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ¥5,740 million and ¥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 ¥9,427 million and ¥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 ¥3,078 billion and ¥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 ¥211,058 million and ¥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 ¥62,840 million and ¥86,688 million, respectively, related to these transactions.

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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	¥ 25,591	¥ 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

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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 ¥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 ¥372,175 million as of March 31, 2004, and is exposed to a maximum loss of ¥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 ¥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 ¥2,666,884 million.

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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 ¥993,461 million as of March 31, 2004, and is exposed to a maximum loss of ¥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 ¥37,916 million and the MTFG Group s maximum exposure to loss as a result of its involvement with such funds is estimated at ¥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 ¥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 ¥20,861,298 million as of March 31, 2004, and is exposed to a maximum loss of ¥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 ¥305,594 million and the MTFG Group s maximum exposure to loss as a result of its involvement with such funds is estimated at ¥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 ¥10,903,504 million as of March 31, 2004, and is exposed to a maximum loss of ¥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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

consolidated upon adoption of FIN No. 46R are estimated as ¥56,504 million and the MTFG Group s maximum exposure to loss as a result of its involvement with such funds is estimated at ¥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 ¥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 ¥5,041,956 million as of March 31, 2004, and is exposed to a maximum loss of ¥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 ¥291,789 million and the MTFG Group s maximum exposure to loss as a result of its involvement with such conduits is estimated at ¥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 ¥1,157 million and to reflect the full amount of the liability of the grantor trust s notes, which increased liabilities by ¥1,157 million.

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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 ¥5,537 million as of March 31, 2004, and is exposed to a maximum loss of ¥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 ¥10,339 million and the MTFG Group s maximum exposure to loss as a result of its involvement with such VIEs is estimated at ¥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	¥ 17,959	¥ 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	¥ 159,793
Amount representing interest	(1,812)	
Present value of minimum lease payments	¥ 50,515	

Total rental expense for the fiscal years ended March 31, 2002, 2003 and 2004 was ¥47,610 million, ¥52,641 million and ¥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.

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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	2004
		(in millions)	
Trust fees	¥ 123,645	¥ 103,803	¥ 90,037
Fees on funds transfer and service charges for collections	58,132	58,146	59,826
Fees and commissions on international business	53,469	54,537	53,787
Fees and commissions on credit card business	44,959	57,083	60,456
Service charges on deposits	29,791	34,626	36,210
Fees and commissions on securities business	52,689	68,020	98,961
Other fees and commissions	123,292	144,552	173,391
Total	¥485,977	¥ 520,767	¥ 572,668

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

The business segment information, set forth below, is derived from the internal management reporting systems used by management to measure the performance of the MTFG Group s 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 in accordance 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 segments total operating profit 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 integrated business group system, which integrates the operations of BTM and Mitsubishi Trust into the following three areas Retail, Corporate and Trust Assets resulting in a new basis of segmentation. Although this new measurement basis did not change the legal entities of MTFG, BTM and Mitsubishi Trust, it is intended to create more synergies by making collaboration between the MTFG Group s subsidiary banks more effective and efficient. Under this integrated business group system, the holding company formulates strategy for the group on an integrated basis, which is

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then executed by its subsidiary banks. Through this system, MTFG aims to reduce overlapping of functions within the Group, thereby increasing efficiency and realizing the benefits of its group resources and scale of operations. Moreover, through a greater integration of MTFG s shared expertise in the banking, trust and securities businesses, it aims to deliver a more diverse but integrated lineup of products and services to customers.

In order to reflect the MTFG Group s new integrated business group system, the MTFG Group has changed the classification of its business segments. Regarding operations that are not covered by the integrated business group system, the MTFG Group has classified its business segments into Treasury, UNBC and Other.

Integrated Retail Banking Business Group Covers all domestic retail businesses, including commercial banking, trust banking, securities and wealth management businesses. This group integrates the retail business of BTM and Mitsubishi Trust and also retail product development, promotion and marketing in a single management structure. At the same time, it has developed and implemented MTFG Plaza, a new, one-stop, comprehensive financial services concept that provides integrated banking, trust and securities services.

Integrated Corporate Banking Business Group Covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses. Through the integration of these business lines, diverse financial products and services are provided to its corporate clients. This group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of its customers.

Integrated Trust Assets Business Group Covers asset management and administration services for products such as pension trusts and security trusts. The launch of this group marked a further step in the integration of the trust banking expertise of Mitsubishi Trust and the international strengths of BTM. This group provides a full range of services to corporate and other pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members.

Treasury Treasury consists of the treasury unit at BTM, which conducts asset liability management and liquidity management for BTM, and the global markets business group at Mitsubishi Trust which provides various financial operations including banking, money markets and capital markets operations and securities investments.

UNBC UNBC consists of BTM s subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A. As of December 31, 2004, BTM owned 61.8% of UnionBanCal Corporation, a publicly traded company listed on 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. 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.

Other Other mainly consists of the corporate center of BTM and Mitsubishi Trust. The elimination of duplicated amounts of net revenue among business segments is also reflected in Other.

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The financial performance 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 segment information on total assets is not available. Management measures the performance of MTFG Group s business segments primarily by operating profit which is a defined term in the regulatory reporting requirements of the FSA.

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group			Integrated Trust Assets Business Group	Treasury	UNBC	Other	Total
		Domestic	Overseas	Total					
					(in billions)				
Fiscal year ended March 31, 2002:									
Net revenue:	¥ 338.3	¥ 522.8	¥ 223.6	¥ 746.4	¥ 65.6	¥ 305.5	¥ 289.5	¥ 38.1	¥ 1,783.4
BTM and Mitsubishi Trust:	255.8	479.4	151.8	631.2	53.1	298.7		4.2	1,243.0
Net interest income	208.6	303.7	95.0	398.7		237.4		(1.0)	843.7
Net fees	36.4	116.4	49.7	166.1	58.0	16.5		4.8	281.8
Other	10.8	59.3	7.1	66.4	(4.9)	44.8		0.4	117.5
Subsidiaries other than BTM and Mitsubishi Trust	82.5	43.4	71.8	115.2	12.5	6.8	289.5	33.9	540.4
Operating expenses	294.1	222.8	131.0	353.8	46.8	41.8	157.2	108.2	1,001.9
Operating profit (loss)	¥ 44.2	¥ 300.0	¥ 92.6	¥ 392.6	¥ 18.8	¥ 263.7	¥ 132.3	¥ (70.1)	¥ 781.5
Fiscal year ended March 31, 2003:									
Net revenue:	¥ 349.7	¥ 556.6	¥ 179.1	¥ 735.7	¥ 37.9	¥ 428.6	¥ 269.8	¥ (10.3)	¥ 1,811.4
BTM and Mitsubishi Trust:	255.8	487.3	123.2	610.5	27.2	422.1		(33.3)	1,282.3
Net interest income	201.2	293.3	76.6	369.9		283.7		(36.6)	818.2
Net fees	42.0	126.2	37.2	163.4	41.2	9.2		6.4	262.2
Other	12.6	67.8	9.4	77.2	(14.0)	129.2		(3.1)	201.9
Subsidiaries other than BTM and Mitsubishi Trust	93.9	69.3	55.9	125.2	10.7	6.5	269.8	23.0	529.1
Operating expenses	304.6	246.9	121.0	367.9	47.5	41.3	155.6	89.7	1,006.6
Operating profit (loss)	¥ 45.1	¥ 309.7	¥ 58.1	¥ 367.8	¥ (9.6)	¥ 387.3	¥ 114.2	¥ (100.0)	¥ 804.8
Fiscal year ended March 31, 2004:									
Net revenue:	¥ 406.1	¥ 620.5	¥ 152.0	¥ 772.5	¥ 56.7	¥ 332.4	¥ 253.5	¥ 2.2	¥ 1,823.4
BTM and Mitsubishi Trust:	283.3	493.1	114.2	607.3	43.0	325.7		(14.9)	1,244.4
Net interest income	204.5	284.3	65.1	349.4	1.0	230.5		31.6	817.0
Net fees	58.9	133.0	35.6	168.6	42.0	9.0		(0.3)	278.2
Other	19.9	75.8	13.5	89.3		86.2		(46.2)	149.2
Subsidiaries other than BTM and Mitsubishi Trust	122.8	127.4	37.8	165.2	13.7	6.7	253.5	17.1	579.0
Operating expenses	311.0	259.9	109.2	369.1	47.3	41.6	150.9	92.8	1,012.7
Operating profit (loss)	¥ 95.1	¥ 360.6	¥ 42.8	¥ 403.4	¥ 9.4	¥ 290.8	¥ 102.6	¥ (90.6)	¥ 810.7

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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.

A reconciliation of the operating profit 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 is as follows:

	2002	2003	2004
		(in billions)	
Operating profit	¥ 782	¥ 805	¥ 811
Trust fees adjusted for credit losses of trust assets	(19)	(8)	(10)
Credit (provision) for credit losses	(594)	(433)	114
Trading account profits (losses) net	12	47	(117)
Equity investment securities gains (losses) net	(23)	(272)	342
Debt investment securities gains (losses) net	21	162	(204)
Foreign exchange gains (losses) net	(275)	84	355
Gains (losses) on other real estate owned	(6)		1
Goodwill amortization	(8)		
Minority interest	(22)	(1)	(42)
Other net	(193)	(121)	(69)
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	¥ (325)	¥ 263	¥ 1,181

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.

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	Domestic	Foreign				
	Japan	United States of America	Europe	Asia/Oceania excluding Japan	Other areas*	Total
	(in millions)					
Fiscal year ended March 31, 2002:						
Total revenue	¥ 1,219,936	¥ 541,485	¥ 243,910	¥ 239,004	¥ 128,932	¥ 2,373,267
Total expenses	1,607,527	572,926	235,430	194,189	87,908	2,697,980
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(387,591)	(31,441)	8,480	44,815	41,024	(324,713)
Net income (loss)	(237,894)	(57,036)	4,131	34,984	37,933	(217,882)
Total assets at end of fiscal year	69,158,193	12,346,379	6,668,616	3,297,980	2,889,757	94,360,925
Fiscal year ended March 31, 2003:						
Total revenue	1,286,997	611,937	255,959	150,580	117,654	2,423,127
Total expenses	1,362,508	438,082	203,947	89,056	66,055	2,159,648
Income (loss) from continuing operations before income tax expense and cumulative effect of a change in accounting principle	(75,511)	173,855	52,012	61,524	51,599	263,479
Net income (loss)	(70,479)	142,954	37,273	43,315	50,382	203,445
Total assets at end of fiscal year	69,737,405	13,210,140	7,893,478	3,154,016	2,542,365	96,537,404
Fiscal year ended March 31, 2004:						
Total revenue	1,651,983	575,077	277,183	78,054	147,552	2,729,849
Total expenses	940,903	408,651	94,054	29,914	74,923	1,548,445
Income from continuing operations before income tax expense and cumulative effect of a change in accounting principle	711,080	166,426	183,129	48,140	72,629	1,181,404
Net income	464,256	158,275	120,751	26,485	53,235	823,002
Total assets at end of fiscal year	79,653,844	12,585,539	6,141,837	3,015,416	2,302,463	103,699,099

* 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:

	2003	2004
	(in millions)	
Cash and due from banks	¥ 452,142	¥ 348,670
Interest-earning deposits in other banks	3,234,017	2,999,248
Total	¥ 3,686,159	¥ 3,347,918
Trading account assets	¥ 1,825,919	¥ 1,737,706
Investment securities	¥ 7,926,797	¥ 7,276,364

Loans net of unearned income and deferred loan fees	¥ 10,051,649	¥ 8,756,846
Deposits, principally time deposits and certificates of deposit by foreign banks	¥ 11,135,306	¥ 13,779,317
Funds borrowed:		
Call money, funds purchased, and receivables under repurchase agreements and securities lending transactions	¥ 2,924,532	¥ 3,188,960
Other short-term borrowings	422,061	238,060
Long-term debt	1,206,093	1,185,060
Total	¥ 4,552,686	¥ 4,612,080
Trading account liabilities	¥ 1,274,334	¥ 1,427,407

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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	¥ 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		2004	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(in billions)			
Financial assets:				
Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	¥ 11,912	¥ 11,912	¥ 14,488	¥ 14,488
Trading account assets, excluding derivatives	4,789	4,789	5,930	5,930
Investment securities	24,545	24,557	28,881	28,888
Loans, net of allowance for credit losses	47,105	47,483	47,638	47,880

Other financial assets	1,898	1,898	2,121	2,121
Derivative financial instruments:				
Trading activities	3,574	3,574	2,448	2,448
Activities qualifying for hedges	15	15	5	5
Financial liabilities:				
Non-interest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	15,742	15,742	16,893	16,893
Interest-bearing deposits	60,882	60,900	62,528	62,512
Debentures	636	638	266	266
Trading account liabilities, excluding derivatives	206	206	220	220
Obligations to return securities received as collateral	950	950	2,330	2,330
Due to trust account	1,402	1,402	1,380	1,380
Other short-term borrowings	2,854	2,854	5,663	5,663
Long-term debt	5,159	5,378	5,660	5,791
Other financial liabilities	1,878	1,878	1,871	1,871
Derivative financial instruments:				
Trading activities	3,397	3,397	2,291	2,291

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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 ¥145 billion and ¥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

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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.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	2,057,000
June 28, 2001	July 1, 2003 to June 30, 2006	2,272,000
Total		4,329,000

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-average exercise price
Options outstanding, September 1, 2002, or beginning of fiscal year	5,512,000	¥ 1,278	5,512,000	¥ 1,278

Granted						
Exercised				(831,000)		812
Forfeited				(1,528,000)		1,568
Options outstanding, end of fiscal year	5,512,000	¥	1,278	3,153,000	¥	1,260
Options exercisable, end of fiscal year	3,403,000	¥	1,566	3,153,000	¥	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-average exercise price
¥812 1,546	3,153,000	1.64 years	¥ 1,260	3,153,000	¥ 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

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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		2003	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Options outstanding, beginning of fiscal year	5,191,899	$ 28.47	7,939,271	$ 29.79	8,515,469	$ 34.71
Granted	3,448,242	30.03	2,911,652	43.49	2,517,023	40.32
Exercised	(557,597)	19.02	(2,187,170)	28.57	(1,912,323)	30.52
Forfeited	(143,273)	29.91	(148,284)	34.05	(112,158)	38.96
Options outstanding, end of fiscal year	7,939,271	$ 29.79	8,515,469	$ 34.71	9,008,011	$ 37.12
Options exercisable, end of fiscal year	3,009,555	$ 29.53	3,031,478	$ 31.08	3,845,520	$ 33.99

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%

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes information about stock options outstanding.

	Options outstanding at December 31, 2003			Options exercisable at December 31, 2003	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$ 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.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	¥ 34,359	¥ 57,571
Investments in subsidiaries	2,518,282	3,773,229
Other assets	18,764	53,013
Total assets	¥ 2,571,405	3,883,813
Liabilities and shareholders equity:		
Other liabilities	¥ 12,777	¥ 38,842
Total liabilities	12,777	38,842
Shareholders equity	2,558,628	3,844,971
Total liabilities and shareholders equity	¥ 2,571,405	¥ 3,883,813

Condensed Statements of Operations

	2002	2003	2004

		(in millions)	
Income:			
Dividends from subsidiaries	¥ 67,523	¥ 22,067	¥ 64,549
Management fees from subsidiaries	4,967	3,814	4,773
Interest income	7,145	4,736	4
Other income	191	126	30
Total income	79,826	30,743	69,356
Expense:			
Operating expenses	5,426	3,159	4,418
Interest expense	7,166	4,730	
Other expense	49	366	203
Total expense	12,641	8,255	4,621
Equity in undistributed net income (loss) of subsidiaries	(285,203)	181,907	758,342
Income (loss) before income tax expense or benefit	(218,018)	204,395	823,077
Income tax expense (benefit)	(136)	950	75
Net income (loss)	¥ (217,882)	¥ 203,445	¥ 823,002

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Statements of Cash Flows

	2002	2003	2004
		(in millions)	
Operating activities:			
Net income (loss)	¥ (217,882)	¥ 203,445	¥ 823,002
Adjustments and other	284,713	(181,360)	(767,429)
Net cash provided by operating activities	66,831	22,085	55,573
Investing activities:			
Proceeds from maturities of investments in convertible bonds of a subsidiary		243,804	
Net decrease (increase) in interest-earning deposits with banks	(38,700)	5,873	(20,473)
Purchase of equity investment in a subsidiary	(12,827)	(210,277)	
Other	(14,639)	(3,830)	1,047
Net cash provided by (used in) investing activities	(66,166)	35,570	(19,426)
Financing activities:			
Proceeds from sales of treasury stock	6,998		137
Payments to acquire treasury stock	(7,381)	(965)	(467)
Proceeds from issuance of new shares of common stock		222,172	
Repayment of convertible bonds		(243,804)	
Dividends paid		(46,915)	(32,847)
Other	230	12,877	(231)
Net cash used in financing activities	(153)	(56,635)	(33,408)
Net increase in cash and cash equivalents	512	1,020	2,739
Cash and cash equivalents at beginning of fiscal year		512	1,532
Cash and cash equivalents at end of fiscal year	¥ 512	¥ 1,532	¥ 4,271

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 ¥41,250 per share of Class 1 Preferred stock, totaling ¥3,358 million, of ¥8,100 per share of Class 2 Preferred stock, totaling ¥121 million, and of ¥6,000 per share of Common stock, totaling ¥38,844 million. On November 24, 2004, the Board of Directors approved payment of cash dividends to the shareholders of record on September 30, 2004 of ¥41,250 per share of Class 1 Preferred stock, totaling ¥3,358 million.

Strategic Business and Capital Alliance Between ACOM CO., LTD. (ACOM) and MTFG

On March 23, 2004, MTFG agreed to enter into strategic business alliance with ACOM CO., LTD. (ACOM), a consumer finance company in Japan. Pursuant to the agreement, on April 20, 2004, MTFG acquired an additional 12.9% of the common shares of ACOM, resulting in an aggregate ownership interest of 15.1% in ACOM. Prior to the acquisition, the MTFG Group held 2.2% of the common shares of ACOM and accounted for the investment as available-for-sale securities. As a result of the additional investment and a change in the MTFG Group s relationship with ACOM, including an increase in the MTFG Group s representation on ACOM s board of directors, the MTFG Group obtained the ability to exercise significant

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

influence over the operations of ACOM and applied the equity method to the investment for the six months ended September 30, 2004. The equity method was applied in a manner consistent with the accounting for a step-by-step acquisition of a subsidiary in accordance with APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. Accordingly, the accompanying consolidated financial statements in prior fiscal years have been retroactively adjusted to reflect the adoption of the equity method.

Planned Management Integration of the MTFG Group and the UFJ Group

In August 2004, four companies in 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 Holdings), UFJ Bank Limited (UFJ Bank), UFJ Trust Bank Limited (UFJ Trust Bank) and UFJ Tsubasa Securities Co., Ltd. (UFJ Tsubasa Securities), 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 Holdings 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 of preferred shares to MTFG for ¥700 billion.

On February 18, 2005, MTFG, UFJ Holdings, BTM, UFJ Bank, Mitsubishi Trust, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities entered into an integration agreement, which sets forth various terms of the management integration, including the merger ratios, company names and other material terms. The merger ratios with respect to the common stock set forth in the integration agreement are as follows:

- Holding companies: 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock;
- Banks: 0.62 shares of BTM common stock for each share of UFJ Bank common stock;
- Trust banks: 0.62 shares of Mitsubishi Trust common stock for each share of UFJ Trust Bank common stock; and
- Securities companies: 0.42 shares of Mitsubishi Securities common stock for each share of UFJ Tsubasa Securities common stock.

Redemption of Class 1 Preferred Stock

On October 1, 2004, MTFG redeemed 40,700 shares of the 81,400 issued shares of its Class 1 Preferred stock on a pro-rata basis at ¥3 million per share, pursuant to the terms and conditions for Class 1 Preferred stock set forth in the articles of incorporation. Further, on February 18, 2005, MTFG announced its intention to redeem all of the remaining outstanding shares of the Class 1 Preferred Stock, comprising 40,700 shares,

at ¥3 million per share on April 1, 2005, according to the provisions of the articles of incorporation.

Issuance of Class 3 Preferred Stock

On February 17, 2005, MTFG issued 100,000 shares of Class 3 Preferred stock at ¥2.5 million per share, the aggregate amount of the issue price being ¥250 billion. The preferred stock was issued by means of a third party allocation to Meiji Yasuda Life Insurance Company, Tokio Marine & Nichido Fire Insurance Co., Ltd. and Nippon Life Insurance Company. The preferred stock does not have voting rights at any general meetings of shareholders, unless otherwise provided by applicable laws and regulations. Preferred dividends are set to be ¥60,000 per share annually, except that the preferred dividends on the Class 3 Preferred stock for the fiscal year ending March 31, 2005 will be ¥7,069 per share.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Decision to Make Mitsubishi Securities a Directly-Held Subsidiary

On February 18, 2005, MTFG announced that it would make Mitsubishi Securities a directly-held subsidiary by acquiring all of the shares of Mitsubishi Securities common stock held by BTM and Mitsubishi Trust. As a result of the transaction, which is scheduled to be completed on July 1, 2005 subject to the approval of the relevant regulators, MTFG would directly hold Mitsubishi Securities common stock representing 56.9% of the voting rights.

Basic Agreement Regarding the Combination of Operations and Reorganization to Strengthen the Consumer Finance Business

On October 29, 2004, MTFG, BTM, and MTFG s subsidiaries DC Card Co., Ltd. (DC Card) and Tokyo-Mitsubishi Cash One Ltd. (Cash One) reached a basic agreement with ACOM to integrate and reorganize the business operations of the MTFG Group s consumer finance business. Cash One will integrate its business operations with DC Card s processing centers, call centers and guarantee divisions during the first half of the fiscal year ending March 31, 2006. On January 31, 2005, ACOM acquired shares in DC Card and Cash One. After the acquisition of the shares, ACOM owns approximately 55% and the MTFG Group owns approximately 45% of Cash One, which has changed its name to DC Cash One Ltd.

Change of Shareholdings in Diamond Computer Service

On December 22, 2004, Diamond Computer Service, Co., Ltd. (DCS), a former equity method investee, became a wholly-owned subsidiary of MTFG through a share exchange. 26,205 shares of MTFG s common stock were issued in exchange for all of the outstanding shares of DCS s common stock based on the exchange ratio of 0.00135 shares of MTFG s common stock for each share of DCS s common stock. The reason for the share exchange was to reorganize and optimize the organizational structure of the MTFG Group s solution businesses and clarify DCS s central role as head of the MTFG Group s IT solution businesses. Following the completion of the exchange offer, in accordance with a business alliance between DCS and Mitsubishi Research Institute, Inc. (MRI), a research and consulting company headquartered in Tokyo, Japan, MTFG sold 25% of its shares of DCS to MRI. The alliance with MRI aims to strengthen the solution creation and consulting capabilities of DCS.

Planned Merger of Mitsubishi Asset Management and UFJ Partners Asset Management

On December 24, 2004, MTFG, UFJ Holdings, Mitsubishi Asset Management Co., Ltd. (Mitsubishi Asset Management) and UFJ Partners Asset Management Co., Ltd (UFJ Partners Asset Management) entered into a Memorandum of Understanding concerning the merger of Mitsubishi Asset Management and UFJ Partners Asset Management. Mitsubishi Asset Management was created on October 1, 2004 by the merger of Tokyo-Mitsubishi Asset Management Ltd. and Mitsubishi Trust Asset Management Co., Ltd., and the MTFG Group owns 92.8% of Mitsubishi Asset Management. The merger of Mitsubishi Asset Management and UFJ Partners Asset Management is scheduled to be completed between

October 1, 2005 and April 1, 2006.

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 that they planned to stop 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

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

financial support from other shareholders including the MTFG Group. Under its business revitalization plan, MMC received payments totaling ¥295 billion for the issue of preferred stocks during June 2004. The payments included ¥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 ¥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 ¥263 as of March 31, 2004, but declined to a price level below ¥80 per share in August 2004, after reaching in excess of over ¥300 per share in mid April. Based on a price level around ¥140 per share in February 2005, a significant part of the MTFG Group s investment in MMC s common stock has been lost subsequent to March 31, 2004.

On January 28, 2005, MMC announced a new business plan through the fiscal year ending March 31, 2008. The new revitalization plan includes measures for stabilizing MMC s operations and improving its financial position over the medium- and long-terms. In connection with the revitalization plan, and at the request of MMC, BTM, Mitsubishi Heavy Industries, Ltd. and Mitsubishi Corporation decided to participate in a capital enhancement of ¥274 billion by purchasing newly issued common and preferred stock of MMC during the fiscal year ending March 31, 2005. As a result, BTM plans to subscribe to common and preferred stock of MMC for an aggregate amount of ¥154 billion, of which ¥54 billion will consist of a debt-for-equity swap during the fiscal year ending March 31, 2005. In addition, on February 24, 2005, MMC announced that Mitsubishi Trust will purchase, in a debt-for-equity swap, newly issued preferred stock of MMC for ¥10.2 billion on March 22, 2005.

Suspension of Consolidated Corporate-Tax System

In February 2005, MTFG s application to suspend the consolidated corporate-tax system, which has been adopted since the fiscal year ended March 31, 2003, was approved by the Japanese tax authorities. The MTFG Group intends to file, for the fiscal year ending March 31, 2005, its tax returns under the consolidated corporate-tax system, which 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 suspension of the consolidated corporate-tax system, deferred income taxes will be calculated separately based on temporary differences and future taxable income at each company as of March 31, 2005 for the fiscal year ending March 31, 2005. The MTFG Group currently does not believe that the change in its tax status will have a material impact on its financial position and results of operations.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2003	March 31, 2004	September 30, 2004
		(in millions)	
Assets:			
Cash and due from banks	¥ 6,146,842	¥ 3,111,967	¥ 3,591,732
Interest-earning deposits in other banks	3,632,526	3,509,044	4,116,045
Call loans, funds sold, and receivables under resale agreements	2,548,561	3,114,943	2,246,091
Receivables under securities borrowing transactions	4,767,886	4,751,909	3,958,769
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥2,243,357 million at September 30, 2003, ¥2,252,489 million at March 31, 2004 and ¥3,427,723 million at September 30, 2004)	9,711,675	8,378,752	7,910,977
Investment securities:			
Securities available for sale carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,896,949 million at September 30, 2003, ¥2,352,234 at March 31, 2004 and ¥3,540,247 million at September 30, 2004)	22,597,527	27,630,316	31,633,734
Securities being held to maturity carried at amortized cost	275,587	1,250,759	1,876,692
Preferred stock investment in UFJ Bank Limited			700,000
Other investment securities	186,149	200,557	282,321
Total investment securities	23,059,263	29,081,632	34,492,747
Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥658,616 million at September 30, 2003, ¥713,068 million at March 31, 2004 and ¥725,123 million at September 30, 2004)	47,969,643	48,525,856	51,784,748
Allowance for credit losses	(1,069,044)	(888,127)	(938,208)
Net loans	46,900,599	47,637,729	50,846,540
Premises and equipment net	612,963	580,073	569,285
Accrued interest	155,991	149,066	142,374
Customers acceptance liability	20,555	30,149	23,705
Intangible assets	231,448	234,139	251,991
Goodwill	51,488	56,690	69,468
Deferred tax assets	1,327,941	1,007,276	1,051,544
Accounts receivable	1,081,028	523,143	2,077,517
Other assets	1,602,511	1,532,587	1,945,477
Total	¥ 101,851,277	¥ 103,699,099	¥ 113,294,262

See the accompanying notes to Condensed Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (Continued)

	September 30, 2003	March 31, 2004	September 30, 2004
		(in millions)	
Liabilities and Shareholders Equity:			
Deposits:			
Domestic offices:			
Non-interest-bearing	¥ 4,923,055	¥ 5,082,701	¥ 4,812,258
Interest-bearing	53,311,678	52,452,342	53,869,927
Overseas offices, principally interest-bearing	11,621,863	12,489,209	13,382,116
Total deposits	69,856,596	70,024,252	72,064,301
Debentures	517,499	265,957	30,752
Call money, funds purchased, and payables under repurchase agreements	7,528,704	7,940,220	8,846,928
Payables under securities lending transactions	2,080,340	1,457,118	2,916,200
Due to trust account and other short-term borrowings	5,520,915	7,043,336	10,948,012
Trading account liabilities	3,466,253	2,510,966	2,068,544
Obligations to return securities received as collateral	1,746,315	2,329,600	2,640,781
Bank acceptances outstanding	20,555	30,149	23,705
Accrued interest	112,296	103,411	103,787
Long-term debt	5,407,370	5,659,877	5,477,822
Accounts payable	913,674	1,144,091	2,836,121
Other liabilities	1,454,784	1,345,151	1,510,968
Total liabilities	98,625,301	99,854,128	109,467,921
Commitments and contingent liabilities			
Shareholders equity:			
Capital stock:			
Preferred stock:			
Class 1 authorized, 81,400 shares; issued and outstanding, 81,400 shares at September 30, 2003, March 31, 2004 and September 30, 2004 with no stated value (aggregate liquidation preference of ¥244,200 million)	122,100	122,100	122,100
Class 2 convertible: authorized, 56,200 shares at September 30, 2003, 15,000 shares at March 31, 2004 and no shares at September 30, 2004; outstanding, 56,200 shares at September 30, 2003, 15,000 shares at March 31, 2004 and no shares at September 30, 2004 with no stated value (aggregate liquidation preference of ¥112,400 million at September 30, 2003, ¥30,000 million at March 31, 2004 and nil at September 30, 2004)	56,200	15,000	
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, 6,357,861 shares at September 30, 2003, 6,476,100 shares at March 31, 2004 and 6,519,148 shares at September 30, 2004 with no stated value	1,028,508	1,069,708	1,084,708
Capital surplus	1,057,916	1,057,900	1,057,624
Retained earnings:			
Appropriated for legal reserve	239,454	239,571	239,571
Unappropriated	668,553	958,416	1,047,485
Accumulated other changes in equity from nonowner sources, net of taxes	55,392	384,719	277,358
Total	3,228,123	3,847,414	3,828,846
Less treasury stock, at cost 2,432 common shares at September 30, 2003, 2,779 common shares at March 31, 2004 and 2,913 common shares at September 30, 2004	2,147	2,443	2,505

Shareholders equity net	3,225,976	3,844,971	3,826,341
Total	¥ 101,851,277	¥ 103,699,099	¥ 113,294,262

See the accompanying notes to Condensed Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Six months ended September 30,	
	2003	**2004**
	(in millions, except per share data)	
Interest income:		
Loans, including fees	¥ 473,013	¥ 450,682
Deposits in other banks	25,533	25,311
Investment securities	205,460	176,931
Trading account assets	15,279	23,181
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	25,609	19,437
Total	744,894	695,542
Interest expense:		
Deposits	91,012	94,088
Debentures	2,313	348
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions	51,826	30,452
Due to trust account, other short-term borrowings, and trading account liabilities	22,628	34,983
Long-term debt	58,703	55,745
Total	226,482	215,616
Net interest income	518,412	479,926
Provision (credit) for credit losses	(129,602)	167,059
Net interest income after provision (credit) for credit losses	648,014	312,867
Non-interest income:		
Fees and commissions	267,493	312,471
Foreign exchange gains (losses) net	259,704	(164,247)
Trading account profits net	17,783	12,323
Investment securities gains net	148,916	196,686
Other non-interest income	19,382	70,128
Total	713,278	427,361
Non-interest expense:		
Salaries and employee benefits	252,556	238,935
Occupancy expenses net	59,529	60,424
Fees and commission expenses	43,827	42,079
Amortization of intangible assets	29,785	33,740
Insurance premiums, including deposit insurance	22,571	26,276
Minority interest in income of consolidated subsidiaries	14,227	15,752
Communications	13,112	14,195
Other non-interest expenses	146,373	107,016
Total	581,980	538,417

Income from continuing operations before income taxes and cumulative effect of a change in accounting principle	779,312	201,811
Income taxes	255,379	69,446
Income from continuing operations before cumulative effect of a change in accounting principle	523,933	132,365
Income from discontinued operations net	5,276	
Cumulative effect of a change in accounting principle, net of tax		(977)
Net income	¥ 529,209	¥ 131,388
Income allocable to preferred shareholders	¥ 4,168	¥ 3,479
Net income available to common shareholders	¥ 525,041	¥ 127,909
Amounts per share (in yen):		
Basic earnings per common share income from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	¥ 83,039.35	¥ 19,850.94
Basic earnings per common share net income available to common shareholders	83,882.26	19,700.46
Diluted earnings per common share income from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	79,757.80	19,743.30
Diluted earnings per common share net income available to common shareholders	80,567.44	19,593.10

See the accompanying notes to Condensed Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FROM NONOWNER SOURCES (Unaudited)

	Gains (Losses), Net of Income Taxes	
	Six months ended September 30,	
	2003	2004
	(in millions)	
Net income	¥ 529,209	¥ 131,388
Other changes in equity from nonowner sources:		
Net unrealized holding gains on investment securities available for sale	173,148	13,548
Reclassification adjustment for gains included in net income	(92,271)	(126,810)
Total	80,877	(113,262)
Net unrealized gains (losses) on derivatives qualifying for cash flow hedges	3,068	(2,979)
Reclassification adjustment for gains included in net income	(3,410)	(1,285)
Total	(342)	(4,264)
Minimum pension liability adjustments	74,492	6,412
Foreign currency translation adjustments	11,516	3,526
Reclassification adjustment for losses included in net income	247	227
Total	11,763	3,753
Total changes in equity from nonowner sources	¥ 695,999	¥ 24,027

See the accompanying notes to Condensed Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Unaudited)

	Six months ended September 30,	
	2003	**2004**
	(in millions)	
Preferred stock (Class 1):		
Balance at beginning of period	¥ 122,100	¥ 122,100
Balance at end of period	¥ 122,100	¥ 122,100
Preferred stock (Class 2):		
Balance at beginning of period	¥ 100,000	¥ 15,000
Conversion of Class 2 preferred stock to common stock	(43,800)	(15,000)
Balance at end of period	¥ 56,200	¥
Common stock:		
Balance at beginning of period	¥ 984,708	¥ 1,069,708
Issuance of new shares of common stock by conversion of Class 2 preferred stock	43,800	15,000
Balance at end of period	¥ 1,028,508	¥ 1,084,708
Capital surplus:		
Balance at beginning of period	¥ 1,058,611	¥ 1,057,900
Losses on sale of shares of treasury stock, net of taxes	(695)	(276)
Balance at end of period	¥ 1,057,916	¥ 1,057,624
Retained earnings appropriated for legal reserve:		
Balance at beginning of period	¥ 237,474	¥ 239,571
Transfer from unappropriated retained earnings	1,980	
Balance at end of period	¥ 239,454	¥ 239,571
Unappropriated retained earnings:		
Balance at beginning of period	¥ 170,408	¥ 958,416
Net income	529,209	131,388
Total	699,617	1,089,804
Deduction:		
Cash dividends:		
Common stock	(24,916)	(38,840)
Preferred stock (Class 1)	(3,358)	(3,358)
Preferred stock (Class 2)	(810)	(121)
Transfer to retained earnings appropriated for legal reserve	(1,980)	

Total	(31,064)	(42,319)
Balance at end of period	¥ 668,553	¥ 1,047,485
Accumulated other changes in equity from nonowner sources, net of taxes:		
Balance at beginning of period	¥ (111,398)	¥ 384,719
Net change during the period	166,790	(107,361)
Balance at end of period	¥ 55,392	¥ 277,358
Treasury stock:		
Balance at beginning of period	¥ (3,275)	¥ (2,443)
Purchases of shares of treasury stock	(140)	(417)
Sales of shares of treasury stock	1,195	790
Net increase (decrease) resulting from changes in consolidated subsidiaries and affiliated companies	73	(435)
Balance at end of period	¥ (2,147)	¥ (2,505)
Total shareholders equity	¥ 3,225,976	¥ 3,826,341

See the accompanying notes to Condensed Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended September 30,	
	2003	2004
	(in millions)	
Cash flows from operating activities:		
Net income	¥ 529,209	¥ 131,388
Adjustments to reconcile net income to net cash used in operating activities:		
Income from discontinued operations net	(5,276)	
Provision (credit) for credit losses	(129,602)	167,059
Investment securities gains net	(148,916)	(196,686)
Foreign exchange losses (gains) net	(314,237)	232,220
Provision for deferred income taxes	229,991	29,188
Increase in trading account assets, excluding foreign exchange contracts	(997,300)	(1,281,015)
Increase (decrease) in trading account liabilities, excluding foreign exchange contracts	308,864	(154,160)
Decrease in accrued interest receivable and other receivables	14,055	6,383
Increase (decrease) in accrued interest payable and other payables	(14,418)	6,015
Other net	79,805	14,523
Net cash used in operating activities	(447,825)	(1,045,085)
Cash flows from investing activities:		
Proceeds from sales and maturities of investment securities available for sale	24,803,591	34,629,128
Purchases of investment securities available for sale	(23,767,351)	(38,407,538)
Proceeds from maturities of investment securities being held to maturity	29,186	24,144
Purchases of investment securities being held to maturity	(39,927)	(650,847)
Proceeds from sales of other investment securities	7,474	1,936
Purchases of preferred stock investment in UFJ Bank Limited		(700,000)
Purchases of other investment securities	(58,364)	(100,720)
Net decrease (increase) in loans	118,653	(555,000)
Net decrease (increase) in interest-earning deposits in other banks	194,271	(464,129)
Net decrease (increase) in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	(3,658,834)	1,704,435
Other net	(208,425)	(240,777)
Net cash used in investing activities	(2,579,726)	(4,759,368)
Cash flows from financing activities:		
Net increase in deposits	3,061,922	1,565,305
Decrease in debentures	(118,561)	(235,205)
Net increase in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	321,807	2,235,699
Net increase in other short-term borrowings	1,318,956	2,572,448
Net decrease in due to trust account	(65,077)	(12,808)
Proceeds from issuance of long-term debt	810,295	452,561
Repayment of long-term debt	(547,503)	(417,055)
Dividends paid	(29,000)	(42,265)
Other net	76,560	96,017
Net cash provided by financing activities	4,829,399	6,214,697

Effect of exchange rate changes on cash and cash equivalents	56,413	69,521
Net increase in cash and cash equivalents	1,858,261	479,765
Cash and cash equivalents at beginning of period	4,288,581	3,111,967
Cash and cash equivalents at end of period	¥ 6,146,842	¥ 3,591,732
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	¥ 240,827	¥ 208,604
Income taxes, net of refunds	25,413	27,934
Non-cash investing activities:		
Marketable equity securities transferred to employee retirement benefit trusts	87,586	
Available-for-sale securities transferred to held-to-maturity category	78,343	

See the accompanying notes to Condensed Consolidated Financial Statements.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF SEMIANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying semiannual condensed consolidated financial statements (unaudited) are stated in Japanese yen, the currency of the country in which Mitsubishi Tokyo Financial Group, Inc. (MTFG) is incorporated and principally operates. Such condensed consolidated financial statements include the accounts of MTFG and its subsidiaries (collectively, the MTFG Group) and reflect all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary for a fair presentation of amounts involved to conform with accounting principles generally accepted in the United States of America (US GAAP). The accompanying condensed consolidated financial statements (unaudited) should be read in conjunction with consolidated financial statements for the fiscal year ended March 31, 2004. Certain information that would be included in annual financial statements but not required for semiannual reporting purpose under US GAAP has been omitted or condensed.

The presentation of condensed consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Certain reclassifications and format changes have been made to the prior period financial statements to conform to the current period presentation.

Accounting Changes

Variable Interest Entities In January 2003, the Financial Accounting Standards Board (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. MTFG has applied, as required, FIN No. 46 to all 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, the MTFG Group adopted

FIN No. 46R on April 1, 2004, except for certain investment companies, for which the effective date of FIN No. 46R is deferred. Under FIN No. 46R, any difference between the net amount added to the balance sheet and the amount of any previously recognized interest in the VIE is to be recognized as a cumulative effect of a change in accounting principle. The cumulative effect of the change in accounting principle was to decrease net income by ¥977 million, and to increase the MTFG Group s assets and liabilities by ¥1,470,217 million and ¥1,472,093 million, respectively. See Note 12 for further discussion of VIEs in which the MTFG Group holds variable interests.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Derivative Instruments and Hedging Activities In April 2003, the FASB issued Statement of Financial Accounting Standards (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.

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 adoption of SFAS No. 150 did not have a material impact on the MTFG Group s financial position and 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 7 for the required disclosures.

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 to consolidated financial statements 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. On September 30, 2004, FASB Staff Position EITF Issue 03-1-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments delayed the effective date for the measurement and recognition guidance contained in paragraphs 10 through 20 of EITF 03-1. The FASB will be issuing implementation guidance related to this topic. Once issued, the MTFG Group will evaluate the impact of adopting EITF 03-1.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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, The Bank of Tokyo-Mitsubishi, Ltd. (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. In August 2004, BTM made another application for transfer to the government of the remaining substitutional portion and the application was approved in November 2004. 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, but the timing of the completion of the transfer is not known yet. 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 which is expected to occur.

Loans and Debt Securities Acquired in a Transfer In December 2003, the AICPA issued Statement of Position (SOP) 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, 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.

Share-Based Payment In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R). SFAS No. 123R replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees. SFAS No. 123 preferred a fair-value-based method of accounting for share-based payment transactions with employees, but it permitted the option of continuing to apply the guidance of using intrinsic-value-based measurement method in APB No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. SFAS No. 123R establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires a fair-value-based measurement method in accounting for share-based payment transactions with employees. As a result, the cost resulting from all share-based payment transactions shall be recognized in the financial

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

statements. SFAS No. 123R is effective as of the beginning of the interim or annual reporting periods beginning after June 15, 2005. See Note 14 for the pro forma information as if the fair value based method had been applied to all awards in accordance with SFAS No. 123.

Exchanges of Nonmonetary Assets In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. The guidance in APB No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB No. 29, however, included certain exceptions to that principle. SFAS No. 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier adoption permitted. The MTFG Group has not completed the study of what effect SFAS No. 153 will have on its financial position and results of operations.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

2. INVESTMENTS IN ACOM

In April 2004, MTFG acquired an additional 12.9% of the common shares of ACOM, CO., LTD. (ACOM), a consumer finance company in Japan, resulting in an aggregate ownership interest of 15.1% in ACOM. Prior to the acquisition, the MTFG Group held 2.2% of the common shares of ACOM and accounted for the investment as available-for-sale securities. As a result of the additional investment and a change in the MTFG Group s relationship with ACOM, including an increase in the MTFG Group s representation on ACOM s board of directors, the MTFG Group obtained the ability to exercise significant influence over the operations of ACOM and applied the equity method to the investment for the six months ended September 30, 2004. The equity method was applied in a manner consistent with the accounting for a step-by-step acquisition of a subsidiary in accordance with APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. Accordingly, the accompanying condensed consolidated financial statements in prior fiscal periods have been retroactively adjusted to reflect the adoption of the equity method.

The previously reported amounts and the adjusted amounts are as follows:

	September 30, 2003		March 31, 2004	
	As previously reported	As adjusted	As previously reported	As adjusted
	(in millions)			
Investment securities Securities available for sale	¥ 22,613,343	¥ 22,597,527	¥ 27,654,310	¥ 27,630,316
Deferred tax assets	1,329,689	1,327,941	1,005,965	1,007,276
Other assets	1,582,449	1,602,511	1,511,885	1,532,587
Retained earnings Unappropriated	665,828	668,553	955,291	958,416
Accumulated other changes in equity from nonowner sources, net of taxes	55,545	55,392	389,751	384,719

	Six months ended September 30, 2003	
	As previously reported	As adjusted *
	(in millions, except per share data)	
Interest income Investment securities	¥ 205,589	¥ 205,460
Other non-interest income	19,737	19,382
Income taxes	251,794	255,379
Net income	528,856	529,209
	83,825.00	83,039.35

Basic earnings per common share income from continuing operations available to common shareholders before cumulative effect of a change in accounting principle		
Basic earnings per common share net income	83,825.00	83,882.26
Diluted earnings per common share income from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	80,512.47	79,757.80
Diluted earnings per common share net income	80,512.47	80,567.44

* As adjusted amounts related to the condensed consolidated statement of income for the six months ended September 30, 2003 include the effect of adjustments for discontinued operations. See Note 3.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

3. DISCONTINUED OPERATIONS

During the second half of the fiscal year ended March 31, 2004, the MTFG Group completed the liquidation 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. In addition, during the second half of the fiscal year ended March 31, 2004, as a part of the MTFG Group s efforts to streamline its securities business, Mitsubishi Securities Co., Ltd. (Mitsubishi Securities) 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, the MTFG Group has presented the results of discontinued operations as a separate line item in the condensed consolidated statements of income and the condensed consolidated statements of cash flows.

The following table shows the results of discontinued operations for the six months ended September 30, 2003:

	Six months ended September 30, 2003
	(in millions)
Total revenue	¥ 1,627
Income from discontinued operations	1,720
Gain on disposal	212
Income tax benefit	(3,344)
Income from discontinued operations net	¥ 5,276

The following is a summary of the assets and liabilities of discontinued operations at September 30, 2003:

	September 30, 2003
	(in millions)
Cash	¥ 1,179

Trading account assets		2,221
Investment securities		2,592
Loans, net of allowance for credit losses		1,728
Other assets		9,018
Total assets	¥	16,738
Other short-term borrowings	¥	258
Other liabilities		1,162
Total liabilities	¥	1,420

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

4. INVESTMENT SECURITIES

The amortized costs and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2004 and September 30, 2004 were as follows:

	March 31, 2004				September 30, 2004			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(in millions)							
Securities available for sale:								
Debt securities, principally Japanese government bonds and corporate bonds	¥ 23,413,395	¥ 185,435	¥ 51,704	¥ 23,547,126	¥ 27,873,878	¥ 201,586	¥ 30,033	¥ 28,045,431
Marketable equity securities	2,410,421	1,674,409	1,640	4,083,190	2,222,768	1,371,622	6,087	3,588,303
Total securities available for sale	¥ 25,823,816	¥ 1,859,844	¥ 53,344	¥ 27,630,316	¥ 30,096,646	¥ 1,573,208	¥ 36,120	¥ 31,633,734
Debt securities being held to maturity, principally Japanese government bonds	¥ 1,250,759	¥ 8,505	¥ 1,363	¥ 1,257,901	¥ 1,876,692	¥ 14,309	¥ 246	¥ 1,890,755

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 The Mitsubishi Trust and Banking Corporation (MTBC) 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 as a separate component of 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 ¥78,343 million of such securities as held-to-maturity. The transfer did not have a material impact on its financial position or results of operations.

In August 2004, four companies in the MTFG Group, MTFG, BTM, MTBC and Mitsubishi Securities, concluded a basic agreement with four companies in the UFJ Group, UFJ Holdings, Inc. (UFJ Holdings), UFJ Bank Limited (UFJ Bank), UFJ Trust Bank Limited (UFJ Trust Bank) and UFJ Tsubasa Securities Co., Ltd. (UFJ Tsubasa Securities), 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. In September 2004, UFJ Bank issued 3.5 billion of preferred shares to MTFG for ¥700 billion. These preferred shares were carried on the MTFG Group s balance sheet as of September 30, 2004 at cost.

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5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans at March 31, 2004 and September 30, 2004 by domicile and type of industry of borrower are summarized below. Classification of loans by industry is based on the industry segment loan classifications as defined by The Bank of Japan.

	March 31, 2004	September 30, 2004
	(in millions)	
Domestic:		
Manufacturing	¥ 6,000,095	¥ 6,756,681
Construction	1,010,439	990,448
Real estate	4,585,299	4,758,946
Services	4,344,833	4,228,255
Wholesale and retail	4,998,952	5,287,629
Banks and other financial institutions	3,834,178	4,290,570
Communication and information services	874,564	826,844
Other industries	6,169,456	6,576,550
Consumer [(2)]	7,951,205	8,240,120
Total domestic	39,769,021	41,956,043
Foreign:		
Governments and official institutions	183,117	125,365
Banks and other financial institutions	1,043,904	966,680
Commercial and industrial	7,239,896	8,137,504
Other	318,543	626,073
Total foreign	8,785,460	9,855,622
Less unearned income and deferred loan fees net	28,625	26,917
Total [(1)]	¥ 48,525,856	¥ 51,784,748

Notes:

(1) The above table includes loans held for sale of ¥12,893 million at March 31, 2004 and ¥1,858 million at September 30, 2004, which are carried at the lower of cost or estimated fair value.

(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 became able to present a precise breakdown of the balance of such consumer loans 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	Total included in Consumer
					(in millions)				
March 31, 2004	¥ 28,229	¥ 19,283	¥ 738,377	¥ 230,730	¥ 52,253	¥ 1,200	¥ 4,121	¥ 10,620	¥ 1,084,813
September 30, 2004	¥ 23,344	¥ 17,491	¥ 712,592	¥ 212,143	¥ 45,727	¥ 1,050	¥ 9,456	¥ 3,768	¥ 1,025,571

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 MTBC, and 90 days or more with respect to loans of certain foreign banking subsidiaries, except when the loans are in the process of collection based upon the judgment of management.

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The following is a summary of nonaccrual loans, restructured loans and accruing loans past due 90 days or more at March 31, 2004 and September 30, 2004:

	March 31, 2004	September 30, 2004
	(in millions)	
Nonaccrual loans	¥ 1,083,124	¥ 1,366,304
Restructured loans	632,363	413,926
Accruing loans contractually past due 90 days or more	15,596	11,509
Total	¥ 1,731,083	¥ 1,791,739

The MTFG Group s impaired loans primarily include nonaccrual loans and restructured loans. At March 31, 2004 and September 30, 2004, the impaired loans were ¥1,588,896 million and ¥1,691,132 million, respectively, which do not include loans held for sale that were impaired of ¥12,637 million and ¥1,387 million, respectively.

Changes in the allowance for credit losses for the six months ended September 30, 2003 and 2004 were as follows:

	Six months ended September 30,	
	2003	2004
	(in millions)	
Balance at beginning of period	¥ 1,360,136	¥ 888,127
Provision (credit) for credit losses	(129,602)	167,059
Charge-offs	176,149	138,549
Less Recoveries	18,774	17,368
Net charge-offs	157,375	121,181
Other *	(4,115)	4,203
Balance at end of period	¥ 1,069,044	¥ 938,208

* Other principally includes foreign exchange translation and discontinued operations adjustments.

6. ASSETS PLEDGED

At September 30, 2004, assets pledged as collateral for call money, funds purchased, payables for repurchase agreements and securities lending transactions, other short-term borrowings, and long-term debt and for certain other purposes were as follows:

	September 30, 2004
	(in millions)
Trading securities	¥ 3,401,054
Investment securities	6,446,415
Loans	5,065,732
Other	45,810
Total	¥ 14,959,011

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

In addition, at September 30, 2004, Due from banks, Trading securities, Investment securities, Loans and certain other assets aggregating ¥ 6,603,755 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.

7. SEVERANCE INDEMNITIES AND PENSION PLANS

The following table summarizes the components of net periodic costs of the severance indemnities and pension plans of BTM, MTBC and certain other domestic subsidiaries for the six months ended September 30, 2003 and 2004:

	Six months ended September 30,	
	2003	2004
	(in millions)	
Service cost benefits earned during the period	¥ 12,477	¥ 10,710
Interest costs on projected benefit obligation	10,089	11,035
Expected return on plan assets	(10,792)	(15,587)
Amortization of unrecognized net obligation at transition	1,969	1,247
Amortization of unrecognized prior service cost	(16)	(524)
Amortization of net actuarial loss	17,482	10,783
Loss on settlements	5,861	2,039
Net periodic benefit cost	¥ 37,070	¥ 19,703

As previously disclosed in its consolidated financial statements for the fiscal year ended March 31, 2004, BTM, MTBC and certain other domestic subsidiaries expect to contribute approximately ¥34 billion to pension plans during the fiscal year ending March 31, 2005. For the six months ended September 30, 2004, ¥18 billion of contributions have been made. BTM, MTBC and certain other domestic subsidiaries currently anticipate contributing an additional ¥16 billion for the reminder of the fiscal year ending March 31, 2005 for a total of ¥34 billion.

The following table summarizes the components of net periodic costs of the employees retirement and other benefit plans of certain offices and subsidiaries in the United States of America for the six months ended September 30, 2003 and 2004:

	Six months ended September 30,	
	2003	2004
	(in millions)	
Service cost benefits earned during the period	¥ 335	¥ 297
Interest costs on projected benefit obligation	433	396
Expected return on plan assets	(283)	(321)
Amortization of unrecognized net obligation at transition	9	(13)
Amortization of unrecognized prior service cost	(104)	(31)
Amortization of net actuarial loss	332	267
Net periodic benefit cost	¥ 722	¥ 595

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8. REGULATORY CAPITAL REQUIREMENTS

MTFG, BTM, MTBC, UnionBanCal Corporation (UNBC), a subsidiary of BTM, and certain other subsidiaries are subject to various banking and other regulatory requirements including capital requirements promulgated by the regulatory authorities in countries in which they operate. Failure to meet such regulatory capital requirements could have a direct material impact on MTFG s consolidated financial statements.

The table below presents MTFG s consolidated risk-based capital, risk-adjusted assets and risk-based capital ratios at March 31, 2004 and September 30, 2004. The underlying figures are calculated in accordance with Japanese banking regulations based on information derived from the financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) as required by the Financial Services Agency of Japan (the FSA):

	March 31, 2004	September 30, 2004	Minimum capital ratios required
	(in millions, except percentages)		
Capital components:			
Tier I capital	¥ 3,859,428	¥ 4,025,922	
Tier II capital	3,157,877	2,818,062	
Total risk-based capital	6,992,757	5,949,678	
Risk-weighted assets	53,996,772	54,457,126	
Capital ratios:			
Tier I capital	7.14%	7.39%	4.00%
Total risk-based capital	12.95	10.92	8.00

The table below presents the consolidated and stand-alone risk-based capital ratios of BTM and MTBC at March 31, 2004 and September 30, 2004. The underlying figures are calculated in accordance with Japanese banking regulations based on information derived from the financial statements prepared in accordance with Japanese GAAP as required by the FSA:

	March 31, 2004	September 30, 2004	Minimum capital ratios required
Consolidated capital ratios:			
BTM:			
Tier I capital	6.52%	6.69%	4.00%
Total risk-based capital	11.97	10.56	8.00
MTBC:			
Tier I capital	7.76	8.29	4.00

Total risk-based capital	15.03	11.71	8.00
Stand-alone capital ratios:			
BTM:			
Tier I capital	6.35	6.51	4.00
Total risk-based capital	12.18	10.65	8.00
MTBC:			
Tier I capital	7.78	8.24	4.00
Total risk-based capital	15.16	11.71	8.00

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The table below presents the risk-based capital ratios of UNBC and Union Bank of California, a subsidiary of UNBC, at December 31, 2003 and June 30, 2004:

	December 31, 2003	June 30, 2004	Minimum capital ratios required
UNBC:			
Tier I capital (to risk-weighted assets)	11.31%	10.46%	4.00%
Tier I capital (to quarterly average assets)	9.03	8.36	4.00
Total capital (to risk-weighted assets)	14.14	13.07	8.00

	December 31, 2003	June 30, 2004	Minimum capital ratios required	Ratios OCC* requires to be well capitalized
Union Bank of California:				
Tier I capital (to risk-weighted assets)	10.44%	10.58%	4.00%	6.00%
Tier I capital (to quarterly average assets)	8.30	8.46	4.00	5.00
Total capital (to risk-weighted assets)	11.88	11.95	8.00	10.00

* OCC represents the Office of the Comptroller of the Currency of the United States.

9. EARNINGS PER COMMON SHARE

Basic earnings per common share (EPS) excludes the dilutive effects of potential common shares and is computed by dividing net income available to common 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 for the period.

The weighted average number of shares used in the computations of basic EPS and diluted EPS were 6,259 thousand shares and 6,516 thousand shares, respectively, for the six months ended September 30, 2003, and 6,493 thousand shares and 6,504 thousand shares, respectively, for the six months ended September 30, 2004.

For the six months ended September 2003 and 2004, Class 2 Preferred Stock, convertible securities and stock options issued by the subsidiaries were included to compute diluted EPS. The convertible securities are 1 1/4% Convertible Bonds due 2013 and 1/4% Convertible Bonds due 2014 issued by Mitsubishi Securities for the six months ended September 30, 2003 and 1/4% Convertible Bonds due 2014 issued by Mitsubishi

Securities for the six months ended September 30, 2004. The stock options are based on the stock-based compensation plans of Mitsubishi Securities and UNBC.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The MTFG Group uses various derivative financial instruments, including interest rate swaps and foreign currency forward contracts, for trading, customer accommodation and risk management purposes. The MTFG Group s trading activities include dealing and customer accommodation activities to meet the financial needs of its customers. The related derivatives are measured at fair value with gains and losses recognized currently in earnings. The MTFG Group also accounts for derivatives held for risk management purpose as trading positions and measures them at fair value with gains/losses recognized currently in earnings unless such derivatives qualify for hedge accounting.

UNBC adopts hedging strategies and uses certain derivatives to achieve hedge accounting. A cash flow hedge strategy is adopted primarily for the purpose of hedging forecasted future loan interest payments as well as future interest income from variable rate loans, utilizing interest rate swaps and various other interest rate

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options. A fair value hedge is intended to effectively convert certain fixed rate liabilities (including trust preferred securities and medium-term notes) into floating rate instruments. Gains and losses recorded due to hedge ineffectiveness were not material for the six months ended September 30, 2003 or 2004.

11. OBLIGATIONS UNDER GUARANTEES AND OTHER OFF-BALANCE-SHEET INSTRUMENTS

The MTFG Group provides customers with a variety of guarantees and similar arrangements as described in Note 24 to consolidated financial statements. The table below presents the contractual or notional amounts of such guarantees at March 31, 2004 and September 30, 2004:

	March 31, 2004	September 30, 2004
	(in billions)	
Standby letters of credit and financial guarantees	¥ 2,747	¥ 3,480
Performance guarantees	1,213	1,338
Liquidity facilities	603	16
Derivative instruments	21,205	14,828
Guarantees for the repayment of trust principal	2,080	1,920
Liabilities of trust accounts	3,886	4,169
Others	309	486
Total	¥ 32,043	¥ 26,237

In addition to obligations under guarantees and similar arrangements set forth above, the MTFG Group issues other off-balance-sheet instruments to meet the financing needs of its customers and for other purposes as described in Note 24 to consolidated financial statements. The table below presents the contractual amounts with regard to such instruments at March 31, 2004 and September 30, 2004:

	March 31, 2004	September 30, 2004
	(in billions)	
Commitments to extend credit	¥ 25,610	¥ 25,512
Commercial letters of credit	377	383
Resale and repurchase agreements	165	166
Commitments to make investments	58	39

The MTFG Group is involved in various litigation matters. Management, based upon their current knowledge and consultation with counsel, record appropriate litigation reserves. Management believes that the amount of the MTFG Group s liabilities when ultimately determined will not

have a material adverse effect on its financial position or results of operations.

12. VARIABLE INTEREST ENTITIES

A variable interest entity (VIE) is defined as an entity with one or more of the following characteristics; (1) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, (2) the equity investors lack significant decision making ability or do not absorb the expected losses or receive the expected residual returns or (3) the equity interests have voting right that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. Variable interests in a variable interest entity are contractual, ownership, or other pecuniary interests in an entity that change with changes in the

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fair value of the entity s net assets exclusive of variable interests. An enterprise is required to 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 conduits of client properties, various investment funds and special purpose entities created for structured financing.

The MTFG Group adopted FIN No. 46R at April 1, 2004, except for certain investment companies, for which the effective date of FIN No. 46R is deferred. As a result, the MTFG Group has consolidated all VIEs in which it is deemed to be the primary beneficiary including those created before February 1, 2003. The adoption of FIN No. 46R resulted in a cumulative-effect adjustment reducing net income by ¥977 million and an increase in total assets of ¥1,470,217 million. See Note 1 Accounting Changes for more information.

The following table presents, by type of VIE, the total assets of consolidated and non-consolidated VIEs and the maximum exposure to non-consolidated VIEs:

	September 30, 2004		
	Consolidated VIEs	Non-consolidated VIEs	
	Assets	Assets	Maximum exposure
		(in millions)	
Asset-backed commercial paper conduits	¥ 3,281,533	¥ 336,725	¥ 48,276
Securitization conduits of client properties	36,303	1,559,419	436,251
Investment funds	713,389	22,984,123	661,888
Special purpose entities created for structured financing	36,479	14,028,239	824,085
Repackaged instruments	166,301	11,319,881	598,602
Others	97,859	5,019,166	796,654
Total	¥ 4,331,864	¥ 55,247,553	¥ 3,365,756

The following table presents the carrying amount of consolidated assets that correspond to VIE obligations.

	September 30, 2004
	(in millions)
Cash	¥ 78,100
Trading account assets	437,299
Investment securities	456,242
Loans	3,072,731
Others	287,492
Total	¥ 4,331,864

A portion of the assets presented in the table above were derived from transactions between consolidated VIEs and the MTFG Group, the primary beneficiary, and were eliminated as intercompany transactions. The eliminated amounts were ¥70,706 million of cash and ¥103 million of other assets.

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In general, the creditors or beneficial interest holders of consolidated VIEs have recourse only to the assets of those VIEs and do not have recourse to other assets of the MTFG Group, except where the MTFG Group provides credit support as in the case of certain asset backed commercial paper conduits.

Asset-backed Commercial Paper Conduits

The MTFG Group administers several multi-seller finance entities (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 and/or 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 consolidation requirements of FIN No. 46, the MTFG Group consolidated certain of these multi-seller finance entities for the fiscal year ended March 31, 2004. The MTFG Group has subsequently consolidated other multi-seller finance entities, where the MTFG Group is deemed to be the primary beneficiary, including those created before February 1, 2003.

As a result of the consolidation of these entities, the MTFG Group s total assets, loans and commercial paper issued increased by ¥1,503,581 million, ¥2,423,463 million and ¥1,424,517 million, respectively, while the contractual or notional amounts of liquidity facilities and other off-balance-sheet credit related support were decreased by ¥1,444,333 million primarily as a result of elimination of the transactions within the MTFG Group.

Securitization Conduits of Client Properties

The MTFG Group administers several conduits that purchase client 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. Regarding the entities in which the MTFG Group has variable interests but is not the primary beneficiary, customers basically invest in the equity of the conduits and continue to use the transferred real estate by lease-back agreements.

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.

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

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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.

Repackaged Instruments

The MTFG Group has two types of relationships with special purpose entities that repackage financial instruments to create new financial instruments.

The MTFG Group provides repackaged instruments with features that meet the customer s needs and preferences through special purpose entities. 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 its customers the new instruments issued by the special purpose entities.

The MTFG Group also invests in repackaged instruments arranged and issued by third parties.

Financing Vehicle

UNBC deconsolidated UNBC Finance Trust I upon adoption of FIN No. 46 in UNBC s fiscal year ended December 31, 2003. Since then, as discussed in Note 25 to consolidated financial statements, management was evaluating whether the MTFG Group should deconsolidate similar financing vehicles after FIN No. 46R became effective. As a result, the MTFG Group deconsolidated its three financing vehicles, BTM (Curacao) Holdings N.V., BTM Finance (Curacao) N.V. and MTBC Finance (Aruba) A.E.C., in accordance with FIN No. 46R. Since the three finance vehicles are conduits, deconsolidation did not have a material impact on the MTFG Group s results of operations or financial condition.

Trust Arrangements

The MTFG Group offers a variety of asset management and administration services under trust arrangements including securities investment trusts, pension trusts and trusts used as securitization vehicles. Although in limited cases the MTFG Group may assume risks through guarantees or certain protections as provided in the agreements or relevant legislations, the MTFG Group has determined that it will not absorb a majority of expected losses in connection with such trust arrangements. In a typical trust arrangement, however, the MTFG Group manages and

administers assets on behalf of the customers in an agency, fiduciary and trust capacity and does not assume risks associated with the entrusted assets. Customers receive and absorb expected returns and losses on the performance and operations of trust assets under management of the MTFG Group. Accordingly, the MTFG Group determined that it is generally not a primary beneficiary to any trust arrangements under management as its interests in the trust arrangements are insignificant in most cases.

Other Type of VIEs

The MTFG Group is also a party to other types of VIEs including special purpose entities created to hold assets on behalf of the MTFG Group as an intermediary, and welfare associations for employees.

The MTFG Group identified borrowers that were determined to be VIEs due to an insufficient level of equity. The MTFG Group is not the primary beneficiary of these borrowers because of its limited exposure as a

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lender to such borrowers and did not consolidate any of such borrowers. Such borrowers engage in diverse business activities of various sizes in industries such as manufacturing, merchandise trading, distribution, construction and real estate development, independently from the MTFG Group.

13. BUSINESS SEGMENTS

The business segment information, set forth below, is derived from the internal management reporting systems used by management to measure the performance of the MTFG Group s 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 in accordance 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 condensed consolidated financial statements prepared on the basis of US GAAP. A reconciliation is provided for the segments total operating profits with income from continuing operations before income taxes under US GAAP. 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 segment information on total assets is not available. Management measures the performance of MTFG Group s business segments primarily by operating profit which is a defined term in the regulatory reporting requirements of the FSA.

Effective April 1, 2004, the MTFG Group implemented a new integrated business group system, which integrates the operations of BTM and MTBC into the following three areas Retail, Corporate and Trust Assets resulting in a new basis of segmentation. Although this new measurement basis did not change the legal entities of MTFG, BTM and MTBC, it is intended to create more synergies by making collaboration between the MTFG Group s subsidiary banks more effective and efficient. Under this integrated business group system, the holding company formulates strategy for the group on an integrated basis, which is then executed by its subsidiary banks. Through this system, MTFG aims to reduce overlapping of functions within the Group, thereby increasing efficiency and realizing the benefits of its group resources and scale of operations. Moreover, through a greater integration of MTFG s shared expertise in the banking, trust and securities businesses, it aims to deliver a more diverse but integrated lineup of products and services to customers.

In order to reflect the MTFG Group s new integrated business group system, the MTFG Group has changed the classification of its business segments. Regarding operations that are not covered by the integrated business group system, the MTFG Group has classified its business segments into Treasury, UNBC and Other.

Integrated Retail Banking Business Group Covers all domestic retail businesses, including commercial banking, trust banking, securities and wealth management businesses. This group integrates the retail business of BTM and MTBC and also retail product development, promotion and marketing in a single management structure. At the same time, it has developed and implemented MTFG Plaza, a new, one-stop, comprehensive financial services concept that provides integrated banking, trust and securities services.

Integrated Corporate Banking Business Group Covers all domestic and overseas corporate businesses, including commercial banking, investment banking, trust banking and securities businesses. Through the integration of these business lines, diverse financial products and services are provided to its corporate clients. This group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of its customers.

Integrated Trust Assets Business Group Covers asset management and administration services for products such as pension trusts and security trusts. The launch of this group marked a further step in the integration of the trust banking expertise of MTBC and the international strengths of BTM. This group provides a

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full range of services to corporate and other pension funds, including stable and secure pension fund management and administration, advice on pension schemes, and payment of benefits to scheme members.

Treasury Treasury consists of the treasury unit at BTM, which conducts asset liability management and liquidity management for BTM, and the global markets business group at MTBC which provides various financial operations including banking, money markets and capital markets operations and securities investments.

UNBC UNBC consists of BTM s subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A. As of December 31, 2004, BTM owned 61.8% of UnionBanCal Corporation, a publicly traded company listed on 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. 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.

Other Other mainly consists of the corporate center of BTM and MTBC. The elimination of duplicate amounts of net revenue among business segments is also reflected in Other.

The presentation for the six months ended September 30, 2003 has been reclassified to conform to the new basis of segmentation for the six months ended September 30, 2004.

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group			Integrated Trust Assets Business Group	Treasury	UNBC	Other	Total
		Domestic	Overseas	Total					
					(in billions)				
Six months ended September 30, 2003:									
Net revenue:	¥ 194.3	¥ 306.3	¥ 78.6	¥ 384.9	¥ 23.3	¥ 200.1	¥ 139.8	¥ 5.2	¥ 947.6
BTM and MTBC:	134.9	238.0	58.8	296.8	16.6	196.5		(5.6)	639.2
Net interest income	101.8	142.8	35.2	178.0	0.5	107.6		28.4	416.3
Net fees	27.3	62.0	16.7	78.7	16.1	2.9		2.8	127.8
Other	5.8	33.2	6.9	40.1		86.0		(36.8)	95.1
Subsidiaries other than BTM and MTBC	59.4	68.3	19.8	88.1	6.7	3.6	139.8	10.8	308.4
Operating expenses	155.4	131.5	58.3	189.8	23.5	20.7	83.1	47.4	519.9

Operating profit (loss)	¥ 38.9	¥ 174.8	¥ 20.3	¥ 195.1	¥ (0.2)	¥ 179.4	¥ 56.7	¥ (42.2)	¥ 427.7
Six months ended September 30, 2004:									
Net revenue:	¥ 216.4	¥ 316.0	¥ 74.3	¥ 390.3	¥ 25.5	¥ 149.3	¥ 145.7	¥ 5.0	¥ 932.2
BTM and MTBC:	148.7	256.4	56.9	313.3	17.5	146.4		(5.2)	620.7
Net interest income	103.2	142.0	30.1	172.1		123.4		(0.6)	398.1
Net fees	35.5	72.6	20.0	92.6	17.5	11.3		0.6	157.5
Other	10.0	41.8	6.8	48.6		11.7		(5.2)	65.1
Subsidiaries other than BTM and MTBC	67.7	59.6	17.4	77.0	8.0	2.9	145.7	10.2	311.5
Operating expenses	155.2	130.9	56.7	187.6	23.0	20.4	81.3	50.0	517.5
Operating profit (loss)	¥ 61.2	¥ 185.1	¥ 17.6	¥ 202.7	¥ 2.5	¥ 128.9	¥ 64.4	¥ (45.0)	¥ 414.7

Reconciliation

As set forth above, the measurement bases and the income and expense items covered are very different between the internal management reporting system and the accompanying condensed consolidated statements of income. Therefore, it is impracticable to present reconciliations of the business segments total information, other than operating profit, to corresponding items in the accompanying condensed consolidated statements of income.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

A reconciliation of the operating profit under the internal management reporting systems for the six months ended September 30, 2003 and 2004 presented above to income from continuing operations before income taxes shown on the condensed consolidated statements of income is as follows:

	Six months ended September 30,	
	2003	2004
	(in billions)	
Operating profit	¥ 428	¥ 415
Trust fees adjusted for credit losses of trust assets	(8)	(2)
(Provision) credit for credit losses	130	(167)
Trading account losses net	(83)	(36)
Equity investment securities gains net	140	77
Debt investment securities gains net	9	87
Foreign exchange gains (losses) net	234	(200)
Minority interest in income of consolidated subsidiaries	(14)	(16)
Other net	(57)	44
Income from continuing operations before income taxes and cumulative effect of a change in accounting principle	¥ 779	¥ 202

14. STOCK-BASED COMPENSATION

As discussed in Note 31 to consolidated financial statements, two subsidiaries of MTFG have several stock-based compensation plans. As permitted by the provisions of SFAS No. 123, they account for those stock-based compensation plans by the intrinsic value method prescribed in APB No. 25, Accounting for Stock Issued to Employees and related Interpretations; and, no compensation expense has been recognized for stock option grants.

Had the stock-based compensation plans been accounted for under the fair value based method of SFAS No. 123, the MTFG Group s compensation expense, net income, and net income per share would have been the pro forma amounts indicated in the following table:

	Six months ended September 30,	
	2003	2004

	(in millions)	
Reported net income	¥ 529,209	¥ 131,388
Stock-based employee compensation expense (determined under the fair value based method for all awards, net of tax)	(963)	(894)
Pro forma net income, after stock-based employee compensation expense	¥ 528,246	¥ 130,494
	(in yen)	
Basic earnings per common share net income available to common shareholders:		
Reported	¥ 83,882.26	¥ 19,700.46
Pro forma	83,728.41	19,562.77
Diluted earnings per common share net income available to common shareholders:		
Reported	80,567.44	19,593.10
Pro forma	80,419.66	19,455.65

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Compensation expense recognized for stock-based compensation other than stock options for the six months ended September 30, 2003 and 2004 was not significant.

15. EVENTS SINCE SEPTEMBER 30, 2004

Approval of Dividends

On November 24, 2004, the Board of Directors approved payment of cash dividends to the shareholders of record on September 30, 2004 of ¥41,250 per share of Class 1 Preferred stock, totaling ¥3,358 million.

Management Integration of the MTFG Group and the UFJ Group

On February 18, 2005, MTFG, UFJ Holdings, BTM, UFJ Bank, MTBC, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities entered into an integration agreement, which sets forth various terms of the management integration, including the merger ratios, company names and other material terms. The merger ratios with respect to the common stock set forth in the integration agreement are as follows:

- Holding companies: 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock;
- Banks: 0.62 shares of BTM common stock for each share of UFJ Bank common stock;
- Trust banks: 0.62 shares of MTBC common stock for each share of UFJ Trust Bank common stock; and
- Securities companies: 0.42 shares of Mitsubishi Securities common stock for each share of UFJ Tsubasa Securities common stock.

Redemption of Class 1 Preferred Stock

On October 1, 2004, MTFG redeemed 40,700 shares of the 81,400 issued shares of its Class 1 Preferred stock on a pro-rata basis at ¥3 million per share, pursuant to the terms and conditions for Class 1 Preferred stock set forth in the articles of incorporation. Further, on February 18,

2005, MTFG announced its intention to redeem all of the remaining outstanding shares of the Class 1 Preferred stock, comprising 40,700 shares, at ¥3 million per share on April 1, 2005, according to the provisions of the articles of incorporation.

Issuance of Class 3 Preferred Stock

On February 17, 2005, MTFG issued 100,000 shares of Class 3 Preferred stock at ¥2.5 million per share, the aggregate amount of the issue price being ¥250 billion. The preferred stock was issued by means of a third party allocation to Meiji Yasuda Life Insurance Company, Tokio Marine & Nichido Fire Insurance Co., Ltd. and Nippon Life Insurance Company. The preferred stock does not have voting rights at any general meetings of shareholders, unless otherwise provided by applicable laws and regulations. Preferred dividends are set to be ¥60,000 per share annually, except that the preferred dividends on the Class 3 Preferred stock for the fiscal year ending March 31, 2005 will be ¥7,069 per share.

Decision to Make Mitsubishi Securities a Directly-Held Subsidiary

On February 18, 2005, MTFG announced that it would make Mitsubishi Securities a directly-held subsidiary by acquiring all of the shares of Mitsubishi Securities common stock held by BTM and MTBC. As a result of the transaction, which is scheduled to be completed on July 1, 2005 subject to the approval of the relevant regulators, MTFG would directly hold Mitsubishi Securities common stock representing 56.9% of the voting rights.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Basic Agreement Regarding the Combination of Operations and Reorganization to Strengthen the Consumer Finance Business

On October 29, 2004, MTFG, BTM, and MTFG s subsidiaries DC Card Co., Ltd. (DC Card) and Tokyo-Mitsubishi Cash One Ltd. (Cash One) reached a basic agreement with ACOM to integrate and reorganize the business operations of the MTFG Group s consumer finance business. Cash One will integrate its business operations with DC Card s processing centers, call centers and guarantee divisions during the first half of the fiscal year ending March 31, 2006. On January 31, 2005, ACOM acquired shares in DC Card and Cash One. After the acquisition of the shares, ACOM owns approximately 55% and the MTFG Group owns approximately 45% of Cash One, which has changed its name to DC Cash One Ltd.

Change of Shareholdings in Diamond Computer Service

On December 22, 2004, Diamond Computer Service, Co., Ltd. (DCS), a former equity method investee, became a wholly-owned subsidiary of MTFG through a share exchange. 26,205 shares of MTFG s common stock were issued in exchange for all of the outstanding shares of DCS s common stock based on the exchange ratio of 0.00135 shares of MTFG s common stock for each share of DCS s common stock. The reason for the share exchange was to reorganize and optimize the organizational structure of the MTFG Group s solution businesses and clarify DCS s central role as head of the MTFG Group s IT solution businesses. Following the completion of the exchange offer, in accordance with a business alliance between DCS and Mitsubishi Research Institute, Inc. (MRI), a research and consulting company headquartered in Tokyo, Japan, MTFG sold 25% of its shares of DCS to MRI. The alliance with MRI aims to strengthen the solution creation and consulting capabilities of DCS.

Planned Merger of Mitsubishi Asset Management and UFJ Partners Asset Management

On December 24, 2004, MTFG, UFJ Holdings, Mitsubishi Asset Management Co., Ltd. (Mitsubishi Asset Management) and UFJ Partners Asset Management Co., Ltd (UFJ Partners Asset Management) entered into a Memorandum of Understanding concerning the merger of Mitsubishi Asset Management and UFJ Partners Asset Management. Mitsubishi Asset Management was created on October 1, 2004 by the merger of Tokyo-Mitsubishi Asset Management Ltd. and Mitsubishi Trust Asset Management Co., Ltd., and the MTFG Group owns 92.8% of Mitsubishi Asset Management. The merger of Mitsubishi Asset Management and UFJ Partners Asset Management is scheduled to be completed between October 1, 2005 and April 1, 2006.

Business Revitalization Plan of Mitsubishi Motors

On January 28, 2005, Mitsubishi Motors Corporation (MMC), announced a new business plan through the fiscal year ending March 31, 2008. The new revitalization plan includes measures for stabilizing MMC s operations and improving its financial position over the medium- and long-terms. In connection with the revitalization plan, and at the request of MMC, BTM, Mitsubishi Heavy Industries, Ltd. and Mitsubishi

Corporation decided to participate in a capital enhancement of ¥274 billion by purchasing newly issued common and preferred stock of MMC during the fiscal year ending March 31, 2005. As a result, BTM plans to subscribe to common and preferred stock of MMC for an aggregate amount of ¥154 billion, of which ¥54 billion will consist of a debt-for-equity swap during the fiscal year ending March 31, 2005. In addition, on February 24, 2005, MMC announced that MTBC will purchase, in a debt-for-equity swap, newly issued preferred stock of MMC for ¥10.2 billion on March 22, 2005.

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MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Concluded)

Suspension of Consolidated Corporate-Tax System

In February 2005, MTFG s application to suspend the consolidated corporate-tax system, which has been adopted since the fiscal year ended March 31, 2003, was approved by the Japanese tax authorities. The MTFG Group intends to file, for the fiscal year ending March 31, 2005, its tax returns under the consolidated corporate-tax system, which 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 suspension of the consolidated corporate-tax system, deferred income taxes will be calculated separately based on temporary differences and future taxable income at each company as of March 31, 2005 for the fiscal year ending March 31, 2005. The MTFG Group currently does not believe that the change in its tax status will have a material impact on its financial position and results of operations.

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Report of Independent Auditors

To the Board of Directors and Shareholders of UFJ Holdings, Inc.

We have audited the accompanying consolidated balance sheets of UFJ Holdings, Inc. and its subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, changes in equity from nonowner sources, stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UFJ Holdings, Inc. and its subsidiaries at March 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, UFJ Holdings, Inc. changed its method of accounting for goodwill and other intangible assets in the fiscal year ended March 31, 2003, and for asset retirement obligations in the fiscal year ended March 31, 2004.

/s/ ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

March 2, 2005, except for Note 29 as to the subsequent event for UFJ Strategic Partner Co., Ltd., as to which the date is March 31, 2005.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AT MARCH 31, 2003 AND 2004

	2003	2004
	(in millions)	
ASSETS		
Cash and due from banks (Note 9)	¥ 3,731,126	¥ 3,629,487
Interest-earning deposits in other banks (Note 9)	964,248	875,259
Call loans and funds sold (Note 11)	213,670	252,169
Receivables under reverse repurchase agreements	787,172	627,868
Receivables under securities borrowing transactions	2,480,762	2,348,412
Trading account assets at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,635,875 million in 2003 and ¥1,060,276 million in 2004) (Note 2)	3,914,874	4,255,315
Investment securities (Note 3):		
Securities available for sale at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,711,045 million in 2003 and ¥1,196,507 million in 2004)	17,026,811	20,107,048
Other investment securities	171,031	293,295
Total investment securities	17,197,842	20,400,343
Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥392,455 million in 2003 and ¥458,072 million in 2004) (Note 4)	46,684,665	45,420,052
Allowance for loan losses (Notes 4 and 5)	(3,195,187)	(2,438,309)
Net loans	43,489,478	42,981,743
Premises and equipment (Note 6)	588,049	573,781
Accrued interest	113,567	79,934
Customers acceptance liabilities	37,582	31,486
Intangible assets (Note 7)	544,715	495,473
Goodwill (Note 7)	2,376,488	2,289,956
Deferred tax assets (Note 8)	23,835	63,319
Accounts receivable	229,073	565,278
Other assets (Notes 14 and 15)	644,940	1,169,908
Total assets	¥ 77,337,421	¥ 80,639,731

See the accompanying notes to these Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AT MARCH 31, 2003 AND 2004

	2003	2004
	(in millions)	
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits (Note 10):		
Domestic offices:		
Non-interest-bearing	¥ 3,955,581	¥ 4,282,080
Interest-bearing	50,508,403	52,169,603
Overseas offices:		
Non-interest-bearing	105,973	111,965
Interest-bearing	1,560,544	1,974,287
Total deposits	56,130,501	58,537,935
Call money and funds purchased (Note 11)	1,571,397	2,204,080
Payables under repurchase agreements	1,248,608	649,938
Payables under securities lending transactions	2,909,178	1,764,098
Due to trust account (Note 12)	1,250,246	1,753,929
Other short-term borrowings (Note 13)	5,598,427	5,027,995
Trading account liabilities (Note 2)	2,208,078	2,669,957
Obligations to return securities received as collateral	137,371	339,747
Bank acceptances outstanding	37,582	31,486
Accrued interest	90,405	71,872
Accounts payable	380,118	444,698
Other liabilities (Notes 8, 14 and 15)	1,669,329	1,551,393
Long-term debt (Note 13)	3,734,025	4,157,758
Total liabilities	76,965,265	79,204,886
Commitments and contingent liabilities (Notes 21 and 23)		
Stockholders equity (Note 18):		
Capital stock (Note 16):		
Preferred stock	759,102	737,806
Common stock authorized, 18,000,000 shares; issued, 5,036,314 shares in 2003 and 5,093,408 shares in 2004, with no stated value	240,898	262,194
Capital surplus (Note 16)	2,496,999	2,517,821
Accumulated deficit (Notes 17 and 29)	(3,289,541)	(2,709,640)
Accumulated other changes in equity from nonowner sources, net of taxes	166,612	628,895
Total	374,070	1,437,076
Less treasury stock, at cost 3,663 common shares in 2003 and 4,430 common shares in 2004	1,914	2,231
Total stockholders equity	372,156	1,434,845

Total liabilities and stockholders equity	¥ 77,337,421	¥ 80,639,731

See the accompanying notes to these Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE FISCAL YEARS ENDED MARCH 31, 2003 AND 2004

	2003	2004
	(in millions)	
Interest income:		
Loans, including fees (Note 4)	¥ 908,600	¥ 840,832
Deposits in other banks	33,934	21,264
Investment securities:		
Interest	149,035	139,411
Dividends	32,544	22,571
Trading account assets	23,418	17,681
Call loans and funds sold	5,035	3,558
Receivables under reverse repurchase agreements and securities borrowing transactions	34,462	13,096
Total	1,187,028	1,058,413
Interest expense:		
Deposits	108,174	74,818
Call money and funds purchased	3,221	1,274
Payables under repurchase agreements and securities lending transactions	38,040	18,587
Due to trust accounts	5,870	6,210
Other short-term borrowings and trading account liabilities	27,604	19,404
Long-term debt	86,877	88,745
Total	269,786	209,038
Net interest income	917,242	849,375
Provision for loan losses (Notes 4 and 5)	511,898	313,124
Net interest income after provision for loan losses	405,344	536,251
Non-interest income:		
Fees and commissions (Note 24)	381,960	445,717
Foreign exchange gains (losses) net	(17,538)	95,561
Trading account gains (losses) net (Note 2)	(37,471)	228,971
Investment securities gains net (Note 3)	122,018	316,911
Refund of local taxes by the Tokyo Metropolitan Government (Note 8)		25,695
Equity in earnings (loss) of affiliated companies	507	(35,310)
Other non-interest income	94,960	72,422
Total	544,436	1,149,967
Non-interest expense:		
Salaries and employee benefits (Note 14)	354,431	344,550
Occupancy expenses net (Notes 6 and 23)	121,177	121,193
Fees and commission expense	53,539	50,882
Amortization of intangible assets (Note 7)	84,986	82,722
Impairment of goodwill (Note 7)	194,000	
Insurance premiums, including deposit insurance	50,889	52,054
Minority interest in income of consolidated subsidiaries	17,473	19,668

Communications	9,187	9,436
Provision (reversal) for acceptances and off-balance sheet credit instruments	(12,007)	831
Losses on sales and disposal of premises and equipment	28,098	19,167
Other non-interest expenses	312,381	279,409
Total	1,214,154	979,912
Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain	(264,374)	706,306
Income tax expense (Note 8)	23,753	95,618
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	(288,127)	610,688
Cumulative effect of change in accounting principle, net of taxes (Notes 1 and 7)	(62,000)	(2,959)
Extraordinary gain, net of taxes (Notes 7 and 28)	12,319	
Net income (loss)	(337,808)	607,729
Income allocable to preferred stockholders:		
Cash dividends paid	23,283	7,029
Beneficial conversion feature	22,127	20,799
Net income (loss) available to common stockholders	¥ (383,218)	¥ 579,901

See accompanying notes to these Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

FOR THE FISCAL YEARS ENDED MARCH 31, 2003 AND 2004

	2003	2004
	(in Yen)	
Earnings (loss) per common share (Notes 17 and 19):		
Basic earnings (loss) per common share income (loss) available to common stockholders before cumulative effect of change in accounting principle and extraordinary gain	¥ (67,823)	¥ 115,227
Basic earnings (loss) per common share net income (loss) available to common stockholders	¥ (77,926)	¥ 114,642
Diluted earnings (loss) per common share income (loss) available to common stockholders before cumulative effect of change in accounting principle and extraordinary gain	¥ (67,823)	¥ 86,803
Diluted earnings (loss) per common share net income (loss) available to common stockholders	¥ (77,926)	¥ 86,382

See the accompanying notes to these Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES

FOR THE FISCAL YEARS ENDED MARCH 31, 2003 AND 2004

	Gains (losses) before income tax expense (benefit)	Income tax (expense) benefit	Gains (losses) net of income tax expense (benefit)
		(in millions)	
Fiscal year ended March 31, 2003:			
Net loss			¥ (337,808)
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale	¥ (15,099)	¥ 120	(14,979)
Reclassification adjustment for net gains included in net loss	(379,758)	3,021	(376,737)
Total	(394,857)	3,141	(391,716)
Changes in minimum pension liability	(303,681)		(303,681)
Foreign currency translation adjustments	(27,920)	548	(27,372)
Reclassification adjustment for losses included in net loss	1,051		1,051
Total	(26,869)	548	(26,321)
Total changes in equity from nonowner sources			¥ (1,059,526)
Fiscal year ended March 31, 2004:			
Net income			¥ 607,729
Other changes in equity from nonowner sources:			
Net unrealized holding gains on investment securities available for sale	¥ 468,218	¥ (13,693)	454,525
Reclassification adjustment for net gains included in net income	(279,230)	8,166	(271,064)
Total	188,988	(5,527)	183,461
Changes in minimum pension liability	307,092		307,092
Foreign currency translation adjustments	(27,863)	(407)	(28,270)
Total changes in equity from nonowner sources			¥ 1,070,012

See the accompanying notes to these Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE FISCAL YEARS ENDED MARCH 31, 2003 AND 2004

	2003	2004
	(in millions)	
Preferred stock (Note 16):		
Balance at beginning of fiscal year	¥ 815,505	¥ 759,102
Conversion of preferred stock to common stock	(56,403)	(21,296)
Balance at end of fiscal year	¥ 759,102	¥ 737,806
Common stock (Note 16):		
Balance at beginning of fiscal year	¥ 184,495	¥ 240,898
Issuance of new shares of common stock by conversion of preferred stock	56,403	21,296
Balance at end of fiscal year	¥ 240,898	¥ 262,194
Capital surplus (Note 16):		
Balance at beginning of fiscal year	¥ 2,475,371	¥ 2,496,999
Amortization of beneficial conversion feature of preferred stock	22,127	20,799
Gains on sale of treasury stock		23
Stock issuance cost	(499)	
Balance at end of fiscal year	¥ 2,496,999	¥ 2,517,821
Accumulated deficit (Note 17):		
Balance at beginning of fiscal year	¥ (2,873,399)	¥ (3,289,541)
Net income (loss)	(337,808)	607,729
Cash dividends paid on preferred stock (Note 1)	(23,283)	(7,029)
Amortization of beneficial conversion feature of preferred stock	(22,127)	(20,799)
Loss on sale of treasury stock	(32,924)	
Balance at end of fiscal year (Note 28)	¥ (3,289,541)	¥ (2,709,640)
Accumulated other changes in equity from nonowner sources, net of taxes:		
Net unrealized gains on investment securities available for sale (Note 3):		
Balance at beginning of fiscal year	¥ 940,962	¥ 549,246
Net change during the fiscal year	(391,716)	183,461
Balance at end of fiscal year	549,246	732,707
Minimum pension liability adjustments (Note 14):		
Balance at beginning of fiscal year	(6,169)	(309,850)
Net change during the fiscal year	(303,681)	307,092
Balance at end of fiscal year	(309,850)	(2,758)

Foreign currency translation adjustments:		
Balance at beginning of fiscal year	(46,463)	(72,784)
Net change during the fiscal year	(26,321)	(28,270)
Balance at end of fiscal year	(72,784)	(101,054)
Total balance at end of fiscal year	¥ 166,612	¥ 628,895
Treasury stock:		
Balance at beginning of fiscal year	¥ (72,988)	¥ (1,914)
Purchases of treasury stock	(984)	(545)
Sales of treasury stock	61,601	228
Issuance of treasury stock in exchange for remaining interest in subsidiary	10,457	
Balance at end of fiscal year	¥ (1,914)	¥ (2,231)
Total stockholders equity	¥ 372,156	¥ 1,434,845

See the accompanying notes to these Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED MARCH 31, 2003 AND 2004

	2003	2004
	(in millions)	
Cash flows from operating activities:		
Net income (loss)	¥ (337,808)	¥ 607,729
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of change in accounting principle, net of taxes	62,000	2,959
Depreciation and amortization	144,557	135,083
Impairment of goodwill	194,000	
Provision for loan losses	511,898	313,124
Investment securities gains net	(122,018)	(316,911)
Foreign exchange losses net	34,908	194,964
Provision for deferred income tax expense	16,101	81,371
Decrease (increase) in trading account assets, including foreign exchange contracts	294,834	(358,553)
Increase (decrease) in trading account liabilities, including foreign exchange contracts	(23,468)	473,704
Decrease (increase) in accrued interest and other receivables	(143,808)	233,422
Increase (decrease) in accrued interest and other payables	110,498	(248,659)
Other net	138,640	(2,899)
Net cash provided by operating activities	880,334	1,115,334
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	36,445,939	36,322,558
Proceeds from maturities of investment securities available for sale	10,526,808	14,490,425
Purchases of investment securities available for sale	(50,650,731)	(53,988,499)
Proceeds from sales of other investment securities	9,543	3,784
Purchases of other investment securities	(43,442)	(275,704)
Net decrease in loans	305,678	176,586
Net decrease in interest-earning deposits in other banks	1,119,125	89,091
Net decrease (increase) in call loans, funds sold, and receivables under reverse repurchase agreements and securities borrowing transactions	(871,695)	241,626
Proceeds from sales of premises and equipment	8,626	15,835
Capital expenditures for premises and equipment	(27,389)	(40,233)
Other net	3,678	(4)
Net cash used in investing activities	(3,173,860)	(2,964,535)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(1,226,389)	2,397,891
Net increase (decrease) in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	1,592,291	(1,102,180)
Net increase (decrease) in due to trust accounts	(108,651)	598,095
Net increase (decrease) in other short-term borrowings	1,693,785	(584,159)
Proceeds from issuance of long-term debt	865,189	953,223
Repayment of long-term debt	(1,364,834)	(464,283)
Proceeds from preferred stock issued by subsidiaries	231,000	
Dividends paid	(23,283)	(7,029)
Other net	(26,997)	(38,167)

Net cash provided by financing activities	1,632,111	1,753,391
Effect of exchange rate changes on cash and cash equivalents	(4,435)	(5,829)
Net decrease in cash and cash equivalents	(665,850)	(101,639)
Cash and cash equivalents at beginning of fiscal year	4,396,976	3,731,126
Cash and cash equivalents at end of fiscal year	¥ 3,731,126	¥ 3,629,487
Supplemental disclosure of cash flow information (Note 28):		
Cash paid during the fiscal year for:		
Interest	¥ 326,556	¥ 227,571
Income taxes, net of refunds	(12,283)	2,621

See the accompanying notes to these Consolidated Financial Statements

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

UFJ Holdings, Inc. (UFJ Holdings) and its subsidiaries (together, the UFJ Group) conduct domestic and international financial business primarily through UFJ Bank Limited (UFJ Bank) and UFJ Trust Bank Limited (UFJ Trust), via domestic and international networks of branches, offices and subsidiaries. UFJ Bank is a major commercial banking institution, providing a broad range of financial services to consumers and corporations through commercial banking, global banking and trading, and other activities. UFJ Trust is a trust and banking subsidiary whose primary business encompasses retail and corporate banking, trust services, stock transfer agency services, asset management services and custody operations in Japan.

Basis of Financial Statements

On April 2, 2001, UFJ Holdings was established, as a bank holding company, to acquire all of the outstanding shares of The Sanwa Bank, Limited (Sanwa Bank), The Tokai Bank, Limited (Tokai Bank) and The Toyo Trust and Banking Company, Limited (Toyo Trust) each of which became wholly-owned subsidiaries pursuant to stock-for-stock exchanges. The business combination was accounted for as a purchase by Sanwa Bank of Tokai Bank and Toyo Trust.

The accompanying consolidated financial statements are stated in Japanese Yen, the currency of the country in which UFJ Holdings 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).

Annual fiscal periods of certain subsidiaries, which end on or after December 31, and UFJ Holdings fiscal year, which ends on March 31, have been treated as coterminous. For the fiscal years ended March 31, 2003 and 2004, the effect of recording intervening events for the periods ended March 31 on UFJ Holdings proportionate equity in net income of subsidiaries with fiscal periods ending prior to March 31, would have resulted in increases of ¥2.92 billion and ¥5.97 billion, respectively, to net income. No intervening events occurred during each of the periods ended March 31, 2003 and 2004 for these subsidiaries which, if recorded, would have had an effect of more than 1% of total assets, loans, total liabilities, deposits or stockholders equity as of March 31, 2003 and 2004.

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 periods. 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 and related allowances, derivative financial instruments, goodwill, investment securities and accrued severance indemnities and pension liabilities. It is reasonably possible that the estimate of recoverability of the loans to some of the UFJ Group s large impaired borrowers could change due to changes in financial and operating conditions of these borrowers. The effect of any such change could have a material impact on the future financial performance of the UFJ Group.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 UFJ Holdings and its subsidiaries. UFJ Holdings consolidates subsidiaries in which it holds, directly or indirectly, a majority of the voting shares or where it can exert control over a subsidiary s operational and financial policies through other means. In certain situations, a voting interest is not indicative of who owns a controlling financial interest in an entity. In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 and issued a revised version of FIN 46 in December 2003 (FIN 46R). FIN 46 and FIN 46R require that a variable interest entity be consolidated by its primary beneficiary, which is the investor that, through its variable interests in the entity, participates in a majority of the entity s expected loss, residual return or both. Variable interests 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. Variable interests include, but are not limited to, equity interests, beneficial interests, loans, guarantees, commitment facilities and derivative contracts. A variable interest entity is an entity whose equity at risk is not sufficient to fund its activities without additional subordinated financial support or the equity holders do not have essential characteristics of a controlling financial interest. In accordance with the provisions of FIN 46, UFJ Group consolidates variable interest entities created after January 31, 2003 for which UFJ Group is a primary beneficiary. UFJ Group will apply the provisions of FIN 46R to variable interest entities created before February 1, 2003 beginning April 1, 2004.

All significant intercompany transactions and accounts are eliminated on consolidation.

Investments in affiliated companies in which UFJ Group has the ability to exert significant influence, generally through an ownership interest of 20% to 50% of the voting shares, are accounted for using the equity method.

Assets that the UFJ Group holds in an agency, fiduciary or trust capacity are not assets of the UFJ Group and, accordingly, are not included in the accompanying consolidated balance sheets.

Cash Flows For the purposes of reporting cash flows, cash and cash equivalents are defined as Cash and due from banks.

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. Capital accounts are translated at historical exchange rate.

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 UFJ Group are credited or charged directly to Foreign currency translation adjustments, a component of Accumulated other changes in equity from nonowner sources.

Foreign currency transactions that are not denominated in the functional currency of the entity in which they arise are recorded at the exchange rate in effect at the date of the transaction. Any resulting foreign currency assets and liabilities are revalued at the spot exchange rates at the year end. Revaluation gains and losses arising from these assets and liabilities are recorded in the statements of operations in Foreign exchange gains (losses) net as appropriate.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Repurchase Agreements, Securities Lending and Other Secured Financing Transactions Securities sold with agreements to repurchase (repurchase agreements), securities purchased with agreements to resell (reverse repurchase agreements) and securities lending and borrowing transactions are accounted for as sales of securities with related forward repurchase commitments or purchases of securities with related forward reverse repurchase 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, and are carried at the amount the securities will be resold or repurchased, including accrued interest. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported as interest income and expense, respectively.

Collateral For secured lending transactions, including reverse repurchase agreements, securities borrowing transactions, commercial lending and derivative transactions, the UFJ Group, as a secured party, generally has the right to require counterparties to provide collateral, including letters of credit, cash, securities and other financial assets. For most securities lending transactions, the UFJ Group maintains levels of collateralization governed by daily mark-to-market analysis, and additional collateral may be obtained when considered appropriate to protect the UFJ Group against credit exposure. Financial assets pledged as collateral are generally negotiable financial instruments and are permitted to be sold or repledged by secured parties. If the UFJ Group sells 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, securities lending transactions and derivative transactions, in which the secured party has the right to sell or repledge financial assets pledged as collateral, the UFJ Group discloses financial assets pledged as collateral in the consolidated balance sheets.

Trading Securities and Securities Sold, Not Yet Purchased Securities and money market instruments held in anticipation of short-term market movements are included in Trading securities. Short trading positions in these instruments are included in Trading securities sold, not yet purchased. Trading positions are carried at fair value based on quoted market price, when available, on the consolidated balance sheets and recorded on a trade date basis. When quoted market prices are not available, other pricing methods such as pricing models, quoted prices of instruments with similar characteristics or discounted cash flows are used. Changes in the fair value of trading positions, excluding interest, are recognized currently in Trading account gains (losses) net.

Investment Securities Debt securities that the UFJ Group does not have the intent and ability to hold to maturity and marketable equity securities, other than those classified as trading securities, are classified as Securities available for sale, and are carried at their fair value, 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 stockholders equity. Purchases and sales of investment securities are recorded on a trade date basis. Nonmarketable equity securities are stated at cost less other-than-temporary impairments in Other investment securities on the consolidated balance sheets.

Unrealized losses on individual debt and equity securities are charged to the consolidated statements of 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 losses are included in Investment securities gains net in the consolidated statements of operations. In determining whether a decline in fair value is other-than-temporary, the UFJ 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 3 for a further discussion of other-than-temporary impairments. Other-than-temporary declines are reflected as realized losses and are not subsequently reversed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Premiums and discounts on purchased securities are recognized in interest income and expense as an adjustment to yield. Interest and dividends on investment securities are reported in Interest income. Dividends are recognized when the stockholders 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 UFJ 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 entered into for trading purposes are carried at fair value and are reported in the consolidated balance sheets as Trading account assets or Trading account liabilities. Estimates of fair value are based on market or broker-dealer quotes when available. Valuation models such as discounted cash flow and pricing models are applied to current market information to estimate fair value when such quotes are not available. The UFJ Group defers trade date gains or losses on derivatives when the fair value of those derivatives is 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 value of derivative contracts executed with the same counterparty under legally enforceable master netting agreements is presented on a net basis. Changes in the fair value of trading account derivative contracts, including interest, are recognized currently in Foreign exchange gains (losses) net with respect to foreign exchange contracts and in Trading account gains (losses) net with respect to interest rate contracts and other types of contracts.

Derivative features embedded in non-derivative host contracts that are not clearly and closely related to the host contracts and that meet the definition of derivatives are separated from the host contracts and measured at fair value unless the contracts containing the derivative features are measured at fair value in their entirety through the consolidated statements of operations. Changes in the fair value of these embedded derivatives are recognized in Trading account gains (losses) net.

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, however the UFJ Group has not adopted hedge accounting for these derivatives. Accordingly, all derivatives used for risk management purposes are marked to market and changes in fair value are reflected in Trading account gains (losses)-net in the consolidated statements of operations.

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 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 to yield. Interest income on loans that are not on non-accrual status 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 as an adjustment to yield.

Loans are considered impaired when, based on current information and events, it is probable that the UFJ 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. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 observable market price, or the fair value of the collateral if the loan is collateral dependent.

Loans are placed on non-accrual status when, in the opinion of management, substantial doubt exists as to the full and timely collection of either principal or interest, or generally when principal or interest is contractually past due one month or more. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on non-accrual status. When a loan is placed on non-accrual status, interest already accrued but not received is reversed against interest income. Cash receipts on non-accrual loans, for which the ultimate collectibility of principal is doubtful, are applied as principal reductions; otherwise, such collections are credited to income.

A non-accrual loan, other than under troubled debt restructuring, is restored to accrual status when interest and principal payments are current and management expects that the borrower will make future contractual payments as scheduled. All loans under troubled debt restructuring are brought to accrual status when the loan is performing for an adequate period of time under the restructuring agreement.

Allowance for Loan Losses The allowance for loan losses is based upon management s continuing review and evaluation of the loan portfolio and represents management s estimate of probable losses in UFJ Group s loan portfolio. The level of allowance is based on an evaluation of the risk characteristics of the loan portfolio and considers factors such as past loss experience and the financial condition of the borrower. The allowance for loan losses is charged against income as Provision for loan losses. The aggregate allowance for loan losses is increased by the net amounts charged to the provisions for loan losses, net of charge-offs and recoveries as a result of cash collections from charged-off accounts.

A key element relating to the policies and discipline used in determining the allowance for loan losses is the credit rating 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 UFJ Group evaluates the probable loss by category of a loan based on its type and characteristics.

UFJ Group s allowance for loan losses consists of (a) specific allowances for specifically identified impaired borrowers, and (b) general allowances for homogeneous pools of commercial and consumer loans, and other loans which are not specifically identified as impaired.

The allowance for loan losses for individual customers represents the impairment allowance determined in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan . The UFJ Group measures the impairment of a loan, with the exception of homogenous pools of smaller balance commercial and consumer 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 UFJ Group will be unable to collect all amounts due according to the contractual terms of the loan agreement. Generally, the UFJ Group s impaired loans include non-accrual loans, restructured loans and other loans specifically identified as impaired.

The allowance for homogeneous pools of smaller balance commercial and consumer loans, and other loans that are not specifically identified as impaired, is established through a process that begins with estimates of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

probable losses inherent in the portfolio. These estimates are based upon various analysis including UFJ Group s historical delinquency and loan loss experience, adjusted for qualitative factors, such as the current economic conditions in which UFJ Group operates as well as current lending policies and procedures.

Allowance for Credit Losses on Acceptance and Off-Balance Sheet Credit Instruments The UFJ Group maintains an allowance for credit losses on acceptance and off-balance sheet credit instruments, including commitments to extend credit, a variety of guarantees and standby letters of credit. The allowance is included in Other liabilities. The considerations that UFJ Group uses in its estimate of provisions against off-balance sheet credit risk are similar to those used for on-balance sheet risk. Net changes in the allowance for credit acceptance and 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 impairment. Depreciation is charged to operations over the estimated useful lives of the related assets. Leasehold improvements are amortized 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 using the straight-line method for buildings and leasehold improvements, and the declining balance method for equipment and furniture, at rates based on the following estimated useful lives:

	Years
Buildings	15 to 50
Equipment and furniture	2 to 20
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 disposition 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 is measured as the excess of the carrying amount of the asset over its 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.

Asset retirement obligations are recorded in Other liabilities with a corresponding increase in leasehold improvements. The amounts represent the present value of expected future cash flows associated with returning certain leased properties to original condition. The difference between the gross and present value of expected future cash flows is accreted over the life of the related leases as an interest expense.

Other Real Estate Owned Real estate assets acquired in full or partial satisfaction of debt are recorded and carried at fair value less cost to sell. Other real estate owned assets held for sale are carried at cost less depreciation after one year. An impairment assessment is made where there is an indication that the carrying amount may not be recoverable.

Goodwill The UFJ Group reports the excess of the cost of investments in subsidiaries over its share of the fair value of net assets at the date of acquisition as Goodwill. Goodwill related to investments in equity method

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

investees is included in Other investment securities. On April 1, 2002, the UFJ Group adopted SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), which provides that goodwill acquired in a business combination should not be amortized but is subject to an annual impairment test. Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. A reporting unit is an operating segment, or an identified business unit one level below an operating segment. An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

Intangible assets Intangible assets, including core deposit intangibles, customer relationships, software and other intangible assets are amortized over their estimated useful lives unless they have indefinite useful lives. Amortization for intangible assets is computed using the straight-line method at rates principally based on the following estimated useful lives:

	Years
Core deposits	10
Customer relationships	10 to 23
Information technology and software	5
Other	10

Upon the adoption of SFAS 142, intangible assets having indefinite useful lives, primarily certain trade names, are not amortized but are subject to annual impairment tests. An impairment exists if the carrying value of an indefinite-lived intangible asset exceeds its fair value. For other intangible assets subject to amortization, an impairment is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible asset.

The UFJ 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 time spent directly on the project. Once the software is ready for its intended use, the UFJ Group begins to amortize capitalized costs on a straight-line basis over their estimated useful life of five years.

Accrued Severance and Pension Liabilities The UFJ Group offers severance indemnity plans as well as certain annuity benefits to its employees. The liabilities related to the defined benefit plans are computed and recognized using an actuarial appraisal approach known as the projected unit credit method. Unrecognized net gains and losses that arise from differences between actual experiences and assumptions are amortized over the average remaining service period of participating employees if it exceeds the corridor, which is defined as the greater of 10% of plan assets or projected benefit obligation. An excess of the accumulated benefit obligation over the liability recognized in the consolidated balance sheets is accrued as the minimum liability, and a corresponding intangible asset is recognized up to the amount equal to the prior service cost. To the extent that the minimum liability exceeds the intangible asset, it is recognized as a reduction of stockholders equity. The cost of the plans is charged to Salaries and employee benefits. The UFJ Group uses a March 31 measurement date.

Long-Term Debt Premiums, discounts and issuance costs of long-term debt are amortized based on the interest method over the term of the long-term debt.

Obligations under Guarantees The UFJ Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protection and liquidity facilities. At the inception of the contract, UFJ Group records fees received or receivable as a

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

liability, which approximates the market value of the contract, which is then recognized within Fees and commissions 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 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, 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 accounts during the trust accounting period, less deductions, including provision for reserve, impairment for individual investments and dividends paid to beneficiary certificate holders.
- 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 services are provided.
- 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 recognized over the contractual periods of the respective guarantees.

Income Taxes The provision for income taxes is comprised of the provision for income taxes currently payable and the provision for deferred income taxes, 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 when 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.

Earnings (Loss) per Common Share Basic earnings per share (EPS) excludes dilutive effects of potential common stock and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period, while diluted

EPS gives effect to all dilutive potential common stocks that were outstanding during the period. Income available to common stockholders excludes amounts paid as dividends on preferred stock and accretion of discounts arising from beneficial conversion features of preferred stock. See Note 19 for the computation of basic and diluted EPS and Note 16 for information on preferred stock dividends and beneficial conversion features.

Treasury Stock UFJ Holdings presents its treasury stock as a reduction of stockholders equity on the consolidated balance sheets at cost and accounts for treasury stock transactions under an average cost method. Any net gains from sales of treasury stocks are classified in capital surplus. Any losses on treasury stock sales in the excess of gains recognized from previous treasury stock sales are charged to accumulated deficit.

Accumulated Other Changes in Equity from Nonowner Sources The UFJ Group s Accumulated other changes in equity from nonowner sources comprises unrealized gains and losses on investment securities available for sale, minimum pension liability and foreign currency translation adjustments and is presented, net of related income tax effects, in the consolidated statements of changes in equity from nonowner sources.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting Changes

Accounting pronouncements adopted within the periods presented include:

Variable Interest Entities In January 2003 the FASB issued FIN 46, as described above under consolidation, and in December 2003, the FASB issued a revised version, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46R). UFJ Group adopted FIN 46 with respect to entities created after January 31, 2003 effective February 1, 2003 and has consolidated any such entities for which it is the primary beneficiary. The UFJ Group is required to adopt FIN 46R with respect to entities created before February 1, 2003 in its interim reporting period beginning April 1, 2004. See Note 22 for information regarding variable interest entities in which UFJ Group has an interest.

Accounting for Asset Retirement Obligations Effective April 1, 2003, the UFJ 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.

All of UFJ Group s existing asset retirement obligations are associated with commitments to return property subject to operating leases to its original condition upon lease termination. At April 1, 2003, the UFJ Group recorded a ¥19,768 million long-term asset retirement liability, which is included in Other liabilities, and a corresponding increase in leasehold improvements. This amount represents the present value of expected future cash flows associated with returning UFJ Group s leased properties to their original condition. The difference between the gross and present value of expected future cash flows is accreted over the life of the related leases as interest expense. Adoption of SFAS No. 143 resulted in a cumulative effect charge to net income at April 1, 2003 of ¥2,959 million. This adjustment represents the cumulative depreciation and accretion that would have been recognized through the date of adoption of SFAS No. 143 had the statement applied to UFJ Group s existing asset retirement obligations at the time they were initially incurred. Additional asset retirement obligations of ¥3,820 million and accretion of ¥165 million were recognized during the year ended March 31, 2004. Accordingly, the asset retirement obligations outstanding at March 31, 2004 were ¥23,753 million.

Disclosure about Pension and Other Postretirement Benefits In December 2003, the FASB revised SFAS No. 132 and 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). SFAS No. 132R revises employers disclosures about pension plans and other postretirement benefit plans. SFAS No. 132R requires additional disclosures about assets, obligations, cash flows and net periodic benefit cost of defined benefit plans and other postretirement benefit plans. The provisions of SFAS No. 132R are generally effective for financial statements with fiscal years ending after December 15, 2003. The UFJ Group adopted the provisions of SFAS No. 132R and included the required disclosures in the footnotes to the consolidated financial statements for the period ended March 31, 2004.

Other-Than-Temporary Impairment of Investment Securities In November 2003, the FASB Emerging Issues Task Force, 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 disclosure already required by SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities . The new disclosure has been included in

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

these consolidated financial statements to the extent applicable. On September 30, 2004, the FASB voted unanimously to delay the effective date of EITF 03-1 measurement provisions. The FASB will be issuing implementation guidance related to the measurement provisions of EITF 03-1. Once issued, the UFJ Group will evaluate the impact of adopting the measurement provisions of EITF 03-1.

Goodwill and Other Intangible Assets Effective April 1, 2002, the UFJ 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 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 but are subject to impairment testing at least annually.

The UFJ 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 effect charge to earnings of ¥62 billion.

Derivative Financial Instruments 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 UFJ Group s financial position or results of operations.

Future Application of Accounting Pronouncements

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 . 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.

SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for UFJ Group s interim reporting period beginning April 1, 2004. The adoption of SFAS No. 150 will not impact UFJ Group s classification of liabilities and equities.

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). EITF 03-2 addresses the issue of how an employer should account for the separation of the substitutional portion of the benefit obligation of an Employees Pension Fund from the corporation portion, and the transfer of the obligation

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and related plan assets to the Japanese government. Pursuant to the consensus reached under EITF 03-2, the entire separation process is required to be accounted for upon completion of the transfer to the government of the substitutional portion as the culmination of a series of steps in a single settlement transaction. The difference between the obligation settled and the assets transferred to the government is accounted for as a subsidy from the government separately from the gain or loss recognized on the settlement. See Note 14 for additional discussion on the transfer of the substitutional portion.

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 (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 and debt securities acquired by the UFJ Group in its fiscal year ended March 31, 2006 and thereafter. The UFJ Group has not completed an assessment of the impact of SOP 03-3 on its financial position or results of operations.

Exchanges of Nonmonetary Assets In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29 , The guidance in Accounting Principles Board (APB) Opinion No. 29, Accounting for Nonmonetary Transactions , is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB Opinion No. 29, however, included certain exceptions to that principle. SFAS No. 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange.

SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier adoption permitted. The UFJ Group has not completed the study of what effect SFAS No. 153 will have on its financial position and results of operations. The UFJ Group expects to apply the provisions of SFAS No. 153 in its fiscal year ended March 31, 2007.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

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2. 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 offset and reported net by counterparty.

	2003	2004
	(in millions)	
Trading account assets:		
Trading securities:		
Japanese government, prefectural and municipal bonds	¥ 1,570,169	¥ 1,564,525
Commercial paper	11,116	24,892
Foreign governments bonds and other securities	1,510,359	1,811,422
Total trading securities	3,091,644	3,400,839
Trading derivative assets:		
Interest rate contracts:		
Forward and futures	250,120	150,330
Swaps and swap-related products	2,653,099	1,565,854
Options purchased	50,986	44,604
Total interest rate contracts	2,954,205	1,760,788
Foreign exchange contracts:		
Forward and futures	105,047	162,629
Swaps	90,595	124,990
Options purchased	46,365	149,005
Total foreign exchange contracts	242,007	436,624
Other contracts, mainly equity and credit-related contracts	15,311	18,832
Netting derivatives under master netting agreements	(2,388,293)	(1,361,768)
Total	¥ 3,914,874	¥ 4,255,315
Trading account liabilities:		
Trading securities sold, not yet purchased	¥ 1,557,081	¥ 1,957,730
Trading derivative liabilities:		
Interest rate contracts:		
Forward and futures	246,572	132,910

Swaps and swap-related products	2,471,657	1,416,457
Options written	47,618	39,821
Total interest rate contracts	2,765,847	1,589,188
Foreign exchange contracts:		
Forward and futures	98,451	128,175
Swaps	102,598	140,086
Options written	63,195	154,943
Total foreign exchange contracts	264,244	423,204
Other contracts, mainly equity and credit-related contracts	9,199	61,603
Netting derivatives under master netting agreements	(2,388,293)	(1,361,768)
Total	¥ 2,208,078	¥ 2,669,957

See Note 27 for the methodologies and assumptions used to estimate fair value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The UFJ 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 (losses) for the fiscal years ended March 31, 2003 and 2004 comprise the following:

	2003	2004
	(in millions)	
Interest rate and other derivative contracts	¥ 213,941	¥ 36,915
Trading securities, excluding derivatives	(251,412)	192,056
Trading account gains (losses) net	(37,471)	228,971
Foreign exchange derivative contracts	32,627	97,730
Net trading gains (losses)	¥ (4,844)	¥ 326,701

3. INVESTMENT SECURITIES

The amortized cost and estimated fair values of available for sale investment securities and the related unrealized gains or losses at March 31, 2003 and 2004 are as follows:

	2003				2004			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(in millions)							
Debt securities:								
Japanese national government and agency bonds	¥ 10,474,855	¥ 132,180	¥ 1,742	¥ 10,605,293	¥ 13,528,628	¥ 48,967	¥ 13,523	¥ 13,564,072
Japanese prefectural and municipal bonds	382,490	17,711	153	400,048	309,614	5,584		315,198
Foreign governments and official institutions bonds	1,833,321	63,590	2,388	1,894,523	1,834,943	849	16,392	1,819,400
Corporate bonds	1,272,642	25,164	2,597	1,295,209	1,998,433	29,932	4,412	2,023,953
Mortgage-backed and asset-backed securities	915,731	14,268	398	929,601	527,875	962	1,927	526,910
Other debt securities	47,889	194		48,083	20,424	112		20,536

Marketable equity securities	1,549,907	321,013	16,866	1,854,054	1,158,726	681,477	3,224	1,836,979
Total	¥ 16,476,835	¥ 574,120	¥ 24,144	¥ 17,026,811	¥ 19,378,643	¥ 767,883	¥ 39,478	¥ 20,107,048

Included in net unrealized gains on available for sale investment securities in Accumulated other changes in equity from nonowner sources, net of taxes, are net unrealized holding gains from available for sale investment securities held by affiliated companies of ¥1,898 million and ¥12,457 million at March 31, 2003 and 2004, respectively. These affiliated companies are accounted for using the equity method and included in Other assets.

Nonmarketable equity securities presented in Other investment securities in the consolidated balance sheets are ¥171,031 million and ¥293,295 million at March 31, 2003 and 2004, respectively. The UFJ Group monitors the status of each investee including the credit ratings and changes in the UFJ Group s share of net assets in the investees as compared with its share at the time of investment, to determine if any impairment losses are to be recognized.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated fair value, which is the net carrying amount, of available for sale debt securities at March 31, 2004 by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment 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 contractual maturities.

	Estimated fair value
	(in millions)
Due in one year or less	¥ 6,660,789
Due from one year to five years	5,647,850
Due from five years to ten years	5,201,398
Due after ten years	760,032
Total	¥ 18,270,069

For the fiscal years ended March 31, 2003 and 2004, proceeds from sales of available for sale securities are ¥36,445,939 million and ¥36,322,558 million, respectively. For the fiscal years ended March 31, 2003 and 2004, gross realized gains on those sales are ¥536,067 million and ¥674,679 million, respectively, and gross realized losses on those sales are ¥115,831 million and ¥112,122 million, respectively. For the fiscal years ended March 31, 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 are ¥188,443 million and ¥132,701 million, respectively, which are included in Investment securities gains net in the consolidated statements of operations.

For the fiscal years ended March 31, 2003 and 2004, losses resulting from write-downs of nonmarketable equity securities included in Other investment securities to reflect the impairment in value are ¥94,412 million and ¥114,171 million, respectively, which are included in Investment securities gains net in the consolidated statements of operations.

The following table shows the fair value and gross unrealized losses of available for sale investment securities at March 31, 2004 that had unrealized losses, by length of time that individual securities have been in a continuous loss position. There are no securities with gross unrealized losses that have been in a continuous loss position of 12 months or more.

	Less than 12 months		Total
	Fair value	Unrealized losses	Number of

			securities
		(in millions)	
Debt securities:			
Japanese national government and agency bonds	¥ 2,883,543	¥ 13,523	16
Foreign governments and official institutions bonds	1,033,667	16,392	57
Corporate bonds	121,128	4,412	23
Mortgage-backed and asset-backed securities	188,787	1,927	11
Marketable equity securities	49,149	3,224	9
Total	¥ 4,276,274	¥ 39,478	116

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The UFJ Group has determined that unrealized losses on available for sale securities at March 31, 2004 are temporary, based on its ability and intent to hold the security for a period of time sufficient to allow for anticipated recovery in fair value, and the results of its review conducted to identify and evaluate investments that have indications of possible impairments. The UFJ Group s review included consideration of the following criteria:

- *The length of time that fair value of the investment has been below cost* The UFJ Group generally deems a continuous decline of fair value below cost for six months or more to be other-than-temporary.

Gross unrealized losses of less than 12 months generally arise from rising interest rates, widening credit spreads and credit quality of the underlying collateral. Based on expected cash flow analysis, such unrealized losses have been determined to be temporary.

- *The extent to which the fair value of investments has been below cost as of the end of the reporting period* The UFJ Group s investment portfolio is exposed to volatile prices affected by many factors including investors perspectives as to future economic factors and the issuers performance, as well as cyclical market price fluctuations due to changes in market interest rates, foreign exchange rates and changes in credit spreads. The UFJ Group generally deems a decline of fair value below cost of 20% or more as a critical indicator of an other-than-temporary decline in fair value.

- *The financial condition and near-term prospects of the issuer* The UFJ Group considers the financial condition and near-term prospects of the issuer primarily based on the credit standing of the issuers as determined by the UFJ Group s credit rating system.

Any deterioration in economic conditions or specific situations of the issuers of the securities could adversely affect the fair value of securities held by the UFJ Group.

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 UFJ Bank and UFJ Trust, which made initial contributions of ¥2,000 million (preferred contributions) that are classified as available for sale debt securities. BSPC will be disbanded when it sells all shares that it purchased from financial institutions, or by March 31, 2017 at the latest. UFJ Bank and UFJ Trust have sold equity securities to BSPC s Special Account.

Prior to August 2003, 8% of the proceeds from equity securities sold to the Special Account were withheld by the BSPC as subordinated contributions by the selling financial institutions. Subsequent to August 2003, no amounts have been withheld. As a result of the sales of securities during the fiscal years ended March 31, 2003 and 2004, the UFJ Group recorded total subordinated contributions of ¥3,192 million

and ¥353 million, respectively, to the Special Account that are classified as available for sale debt securities.

Funding, in addition to the subordinated contributions, is provided from borrowings guaranteed by the Japanese government with a limit of ¥2 trillion. Upon disbanding the BSPC, the cumulative net loss, if any, of the BSPC will be compensated in the following order: subordinated contributions, preferred contributions and government acting as a guarantor. The cumulative net gain, if any, will be repaid in the following order: preferred contributions, subordinated contributions, pro rata basis to the preferred or subordinated contributions up to twice the contributions and Japanese government for more than twice the contributions. However, the cumulative net loss or gain cannot be finalized and none of the contributions will be repaid until upon disbanding

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the BSPC. During the fiscal year ended March 31, 2003, the UFJ Group recorded a total impairment loss of ¥6,955 million on its preferred and subordinated contributions based on the cumulative net loss of the BSPC at March 31, 2003 as if the BSPC has been disbanded at the time.

For the fiscal years ended March 31, 2003 and 2004, the UFJ Group sold to the Special Account equity securities with aggregated market values of ¥39,905 million and ¥410,277 million, and recognized gains of ¥7,044 million and ¥180,174 million, respectively, which are included in Trading account gains (losses) - net and Investment securities gains - net in the consolidated statements of operations.

The Bank of Japan

The Bank of Japan began purchasing marketable equity securities at fair value from banks, including UFJ Bank and UFJ 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 with no transferors continuing involvement. UFJ Bank and UFJ Trust sold marketable equity securities to The Bank of Japan with aggregate market values of ¥338,967 million and ¥76,465 million for the fiscal years ended March 31, 2003 and 2004, respectively.

Pension Trusts

UFJ Bank and UFJ Trust sponsor pension trusts designated to provide annuity benefits and lump sum severance indemnity plans to the plan participants. UFJ Bank and UFJ Trust contributed marketable equity securities that are classified as available for sale to the pension trusts with aggregate market values of ¥26,700 million and ¥116,697 million, and recognized gains of ¥16,292 million and ¥40,204 million for the fiscal years ended March 31, 2003 and 2004, respectively, which are included in Investment securities gains net in the consolidated statements of operations.

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4. LOANS

Loans at March 31, 2003 and 2004, before deduction of allowance for loan losses, by domicile and type of industry of borrowers 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	¥ 5,848,096	¥ 5,370,456
Construction	1,587,462	1,282,612
Real estate	5,299,655	4,580,942
Services	3,722,414	3,178,511
Wholesale and retail	5,710,457	5,500,396
Banks and other financial institutions	4,610,625	4,181,529
Other industries	4,465,021	5,830,848
Consumer:		
Mortgage loan	6,623,132	7,667,505
Other	5,804,241	5,231,207
Total domestic	43,671,103	42,824,006
Foreign:		
Governments and official institutions	150,359	119,281
Banks and other financial institutions	79,291	131,831
Commercial and industrial	2,743,031	2,322,885
Other	44,499	33,675
Total foreign	3,017,180	2,607,672
Total	46,688,283	45,431,678
Less unearned income and deferred loan fees net	3,618	11,626
Total	¥ 46,684,665	¥ 45,420,052

Non-accrual and Restructured Loans

Non-accrual and restructured loans are ¥7,146.9 billion and ¥5,065.1 billion 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 ¥175.9 billion and ¥126.8 billion, respectively, of which approximately ¥109.7 billion and ¥77.6 billion, respectively, is included in interest income on loans in the accompanying consolidated statements of operations. Accruing loans contractually past due 90 days or more are ¥22.9 billion and ¥19.8 billion at March 31, 2003 and 2004, respectively.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impaired Loans

The UFJ Group s impaired loans (evaluated individually) primarily include non-accrual loans and restructured loans. A summary of the balances of impaired loans and related 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	¥ 6,360,350	¥ 2,644,242	¥ 4,230,532	¥ 1,966,715
Not requiring an impairment allowance	638,890		568,894	
Total	¥ 6,999,240	¥ 2,644,242	¥ 4,799,426	¥ 1,966,715

The average investment in impaired loans is ¥7,289 billion and ¥5,923 billion, respectively, for the fiscal yearsended March 31, 2003 and 2004.

For the fiscal years ended March 31, 2003 and 2004, the UFJ Group recognized interest income of approximately ¥107.3 billion and ¥75.5 billion, respectively, on impaired loans. Cash receipts on non-accrual loans, for which the ultimate collectibility of principal is doubtful, are applied to principal reductions; otherwise, such collections are credited to income. Interest income on accruing impaired loans, including restructured loans, was recognized on an accrual basis to the extent that the collectibility of principal was reasonably certain based on management s assessment.

Lease Receivables

As part of its financing activities, the UFJ Group enters into leasing arrangements with customers. The UFJ 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 factory equipment.

At March 31, 2003 and 2004, the components of the investment in direct financing leases are as follows:

	2003	2004
	(in millions)	
Minimum lease rentals receivable	¥ 462,971	¥ 450,456
Estimated residual value of leased property	3,239	3,415
Less unearned income	(25,618)	(28,832)
Gross investment in direct financing leases	¥ 440,592	¥ 425,039

Future minimum lease rentals receivable on direct financing at March 31, 2004 are as follows:

Fiscal year ending March 31:	(in millions)
2005	¥ 157,929
2006	115,654
2007	85,472
2008	55,537
2009	26,023
2010 and thereafter	9,841
Total future minimum lease rentals receivable	¥ 450,456

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Related Party Loans

In some cases, the banking subsidiaries of UFJ Holdings make loans to related parties in the course of their normal commercial banking business. At March 31, 2003 and 2004, outstanding loans to related parties were ¥669,012 million and ¥742,711 million, respectively.

These related party loans were made on substantially the same terms, including interest rates and collateral requirements, as were generally prevailing for unrelated borrowers at the date these loans were made. For the fiscal years ended and at March 31, 2003 and 2004, there are no loans to related parties that have been charged-off or that are impaired.

Concentrations of Credit Risk

Concentrations of credit risk arise when a number of customers are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic conditions. The UFJ Group manages its portfolio of financial instruments to achieve a level of diversification amongst industries and geographies. Historically it has been the principal provider of credit to certain large borrowers and the levels of collateral associated with those loans have varied. In addition during recent years it has also made loans to certain companies which have had significant exposures to the Japanese real estate market. The UFJ Group has put into place a series of measures to reduce its exposure to these large borrowers and to increase the level diversification of its portfolio.

Sales of Loans

The UFJ Group originates loans to various types of corporate and individual customers in Japan and overseas in the normal course of its business. In order to improve the quality of its loan portfolio, the UFJ Group has disposed of certain loans. Most of these loans were disposed of by sales to third parties and by entering into loan participation transactions without retaining the credit risk. The loan participation transactions did not meet the relevant conditions for sales accounting established in accordance with SFAS No. 140. Hence, these transactions are accounted for as collateralized borrowing transactions and not considered as loans held-for-sale. For the fiscal years ended March 31, 2003 and 2004, the losses on sales of loans were ¥49.7 billion and ¥8.9 billion, respectively.

Loan Securitization

The UFJ Group had no significant transfers of loans under securitization transactions accounted for as sales for the fiscal years ended March 31, 2003 and 2004 and did not retain any significant interests associated with loans transferred in securitizations at March 31, 2003 and 2004.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the fiscal years ended March 31, 2003 and 2004 are shown below.

	2003	2004
	(in millions)	
Balance at beginning of fiscal year	¥ 3,479,268	¥ 3,195,187
Provision for loan losses	511,898	313,124
Charge-offs	(897,151)	(1,148,858)
Recoveries	97,836	80,425
Net charge-offs	(799,315)	(1,068,433)
Other changes	3,336	(1,569)
Balance at end of fiscal year	¥ 3,195,187	¥ 2,438,309

Note: Other changes principally include the effect of foreign exchange translation.

As explained in Note 4, loans were disposed of by sales during recent years. The allowance for these loans was removed 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 amount of charge-offs related to sales of loans amounting to ¥131.5 billion and ¥98.3 billion for the fiscal years ended March 31, 2003 and 2004, respectively.

6. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 2003 and 2004 consists of the following:

	2003	2004
	(in millions)	

Land	¥ 255,174	¥ 237,682
Buildings	204,382	203,880
Equipment and furniture	351,298	347,857
Leasehold improvements	161,103	184,809
Construction in progress	742	744
Total	972,699	974,972
Less accumulated depreciation	384,650	401,191
Premises and equipment net	¥ 588,049	¥ 573,781

Premises and equipment includes capitalized leases, principally related to data processing equipment, which amounts to ¥43,809 million and ¥54,278 million at March 31, 2003 and 2004, respectively. Accumulated depreciation on such capitalized leases at March 31, 2003 and 2004 amounted to ¥22,399 million and ¥29,895 million, respectively.

Depreciation expense of premises and equipment for the fiscal years ended March 31, 2003 and 2004 is ¥59,571 million and ¥52,361 million, respectively.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In March 2002, UFJ Bank entrusted its Tokyo headquarters, comprising land and building, to UFJ Trust under a noncancellable lease agreement for a 15 year period. At the same time, UFJ Bank sold the beneficiary trust right to a special purpose entity, which leased back the land and building to UFJ Bank. UFJ Bank accounted for this transaction as a financing arrangement, and recorded the total proceeds of ¥89,800 million as a financing obligation in addition to continuing to recognize the land and building. Under the lease agreement, UFJ Bank made non-interest-bearing deposits of ¥6,960 million with the buyer-lessor in March 2002. The lease payments are ¥6,960 million per year.

At March 31, 2003 and 2004, the financing obligation is ¥89,800 million and total annual rental payments amounted to ¥6,960 million for the years then ended.

For the fiscal year ended March 31, 2003, the UFJ Group recognized ¥3,237 million of impairment losses for long-lived assets, primarily domestic real estate assets formerly used for domestic banking operations that are no longer used and assets that are being used but are not generating sufficient cash flows to recover their carrying amount. In addition, ¥1,013 million and ¥4,123 million of impairment losses were recognized for real estate previously held for use now held for sale, for the fiscal years ended March 31, 2003 and 2004, respectively. These losses are included in Other non-interest expenses. In computing the amount of impairment losses, fair value is determined primarily based on market prices, if available, or the estimated fair value based on an appraisal.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 1, goodwill is primarily the result of Sanwa Bank s acquisition of Tokai Bank and Toyo Trust at April 2, 2001. The business combination was accounted for under the purchase method. The aggregate purchase price for Tokai Bank and Toyo Trust was ¥2,931 billion including common and preferred stock. Goodwill and intangible assets of approximately ¥2,731 billion and ¥515 billion, respectively, were recorded. Prior to adoption of SFAS No. 142, goodwill was being amortized over 40 years.

Goodwill

The changes in the carrying amount of goodwill during the fiscal years ended March 31, 2003 and 2004 are as follows:

	Retail Banking	Corporate Banking	Global Banking & Trading	Trust Banking	Total
			(in millions)		

Balance at April 1, 2002.	¥ 489,868	¥ 1,059,694	¥ 521,746	¥ 561,180	¥ 2,632,488
Impairment recognized by the transitional impairment test				62,000	62,000
Impairment recognized				194,000	194,000
Balance at March 31, 2003	¥ 489,868	¥ 1,059,694	¥ 521,746	¥ 305,180	¥ 2,376,488
Goodwill reversed due to reversal of valuation allowance on deferred tax assets (Note 8)		64,371		22,161	86,532
Balance at March 31, 2004.	¥ 489,868	¥ 995,323	¥ 521,746	¥ 283,019	¥ 2,289,956

See Note 25 for business segment information of the UFJ Group.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In September 2002, UFJ Group acquired an additional 59.82% interest in UFJ Card Co., Ltd., a credit card company, for ¥13,313 million, which was paid in cash.

In June 2002, UFJ Group acquired an additional 34.36% of the outstanding stock of Tsubasa Securities Co., Ltd. (Tsubasa Securities), a broker dealer affiliate of UFJ Group, through the merger of Tsubasa Securities with UFJ Capital Markets Securities Co., Ltd., a subsidiary of UFJ Holdings. The combined company was subsequently renamed UFJ Tsubasa Securities Co., Ltd. The additional interest acquired in Tsubasa Securities was valued at ¥21,970 million based on the fair value of Tsubasa Securities publicly traded stock. The purchase price was at a discount to Tsubasa Securities net assets and an extraordinary gain of ¥12,319 million was recorded.

On April 1, 2002, UFJ Group adopted SFAS No. 142, which requires companies to cease amortizing goodwill and intangible assets which have indefinite useful lives. SFAS No. 142 also requires that goodwill and indefinite-lived intangible assets be reviewed for impairment upon adoption and annually thereafter, or more often if events or circumstances warrant. Under SFAS No. 142, goodwill impairment may exist if the carrying value of the reporting unit to which it is allocated exceeds its estimated fair value.

Upon adoption of SFAS No. 142, UFJ Group reviewed the useful lives of its amortizable intangible assets primarily core deposits, trust customer relationships and capitalized software and determined that they remained appropriate. In accordance with SFAS No. 142, UFJ Group performed a transitional impairment test of goodwill and intangible assets with indefinite lives as of April 1, 2002. UFJ Group identified eight reporting units. Goodwill was allocated to four of these reporting units on a relative fair value basis. Reporting units that were non-revenue producing or that were not expected to benefit significantly from the synergies of the business combinations were not allocated goodwill. In addition, insignificant reporting units were not allocated goodwill. The first step of the transitional test of impairment was performed by comparing the fair value of its reporting units to the carrying values of the reporting units to which goodwill was assigned.

If potential impairment of goodwill was indicated under the first step, step two for determining the amount of impairment of goodwill was performed. The second step requires UFJ Group to estimate the implied fair value of goodwill for each reporting unit by subtracting the fair value of the reporting unit s assets, including any unrecognized intangibles, from the total fair value of the reporting unit. The excess is deemed the implied fair value of goodwill. The implied fair value of the goodwill was then compared to the carrying amount of goodwill for the reporting unit. Based on this analysis, UFJ Group recorded a charge for the cumulative effect of adopting SFAS No. 142 of ¥62 billion in its trust reporting unit.

In accordance with SFAS No. 142, UFJ Holdings continues to perform impairment tests on the remaining goodwill and indefinite-lived intangible assets on an annual basis, or more often if events or changes in circumstances indicate the assets may be impaired. During the fiscal year ended March 31, 2003, UFJ Group recorded an impairment charge of ¥194 billion in its trust reporting unit.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

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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	Accumulated amortization	Net carrying amount
			(in millions)			
Intangible assets subject to amortization:						
Information technology	¥ 64,177	¥ 27,154	¥ 37,023	¥ 63,852	¥ 39,496	¥ 24,356
Software	194,057	85,811	108,246	223,987	104,916	119,071
Core deposit intangibles	327,430	66,183	261,247	327,430	98,115	229,315
Customer relationships	131,800	13,171	118,629	131,800	19,755	112,045
Other	1,639	792	847	3,828	813	3,015
Total	¥ 719,103	¥ 193,111	525,992	¥ 750,897	¥ 263,095	487,802
Intangible assets recorded in connection with the additional minimum pension liabilities under SFAS No. 87 (See Note 14)			10,643			
Intangible assets not subject to amortization			8,080			7,671
Total			¥ 544,715			¥ 495,473

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

	(in millions)
Fiscal year ending March 31,	
2005	¥ 78,439
2006	76,436
2007	61,076
2008	56,009
2009	52,969

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8. INCOME TAXES

The current and deferred income tax expense (benefit) for the fiscal years ended March 31, 2003 and 2004 is as follows:

	2003	2004
	(in millions)	
Current:		
Domestic	¥ 3,214	¥ 13,788
Foreign	4,438	459
Total	7,652	14,247
Deferred:		
Domestic	14,731	76,300
Foreign	1,370	5,071
Total	16,101	81,371
Income tax expense	23,753	95,618
Income tax expense (benefit) reported in stockholders equity relating to:		
Net unrealized gains (losses) on investment securities available for sale	(3,141)	5,527
Foreign currency translation adjustments	(548)	407
Total	(3,689)	5,934
Total	¥ 20,064	¥ 101,552

Income taxes in Japan applicable to the UFJ Group are imposed by the national, prefectural and municipal governments, and in the aggregate, resulted in a normal effective statutory rate of approximately 42.0% and 42.0% for the fiscal years ended March 31, 2003 and 2004, respectively. It should be noted that the largest entity within the UFJ Group, UFJ Bank, had a normal effective statutory rate of approximately 39.2% and 39.2% for the fiscal years ended March 31, 2003 and 2004, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

In March 2003, the Japanese government passed an amendment to the local tax law and in October 2003 the Tokyo Metropolitan Government and the Osaka Prefectural Government enacted an additional surcharge tax. The effect of these amendments will be to adjust the normal effective statutory tax rate for the fiscal year ending March 31, 2005 to approximately 40.6%. The newly enacted rates are used in calculating the

future expected tax effects of temporary differences as of March 31, 2003 and 2004 that are expected to reverse during and subsequent to 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 ¥77,925 million in consolidated income tax expense before valuation allowance for the fiscal year ended March 31, 2003 and of ¥23,531 million in consolidated income tax expense for the fiscal year ended March 31, 2004. After the valuation allowance, the net change in tax rate used in calculating the future expected tax effects of temporary differences, resulted in a decrease of ¥408 million and ¥504 million in consolidated income tax expense for the fiscal years ended March 31, 2003 and 2004, respectively.

In October 2003, the UFJ Group received notification of a tax refund of ¥25.7 billion relating to tax assessments previously made by the Tokyo Metropolitan Government and the Osaka Prefectural Government in relation to the fiscal years ended March 31, 2001 and 2002.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

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A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the normal effective statutory tax rate at March 31, 2003 and 2004 is as follows:

	2003	2004
Normal effective statutory tax rate of UFJ Holdings	42.0%	42.0%
Increase (decrease) in taxes resulting from:		
Nondeductible expenses	(0.5)	6.1
Undistributed (earnings) losses of foreign subsidiaries	(2.0)	0.8
Higher (lower) tax rates applicable to income of subsidiaries	3.5	(4.6)
Nontaxable income		(0.9)
Change in valuation allowance	(56.1)	(36.4)
Enacted change in tax rates net	29.5	(3.3)
Realization of previously unrealized tax benefit of subsidiaries	4.8	9.1
Goodwill impairment	(27.9)	
Per capita tax	(0.3)	0.2
Other net	(2.0)	0.5
Effective income tax rate	(9.0)%	13.5%

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 UFJ Group s net deferred tax assets and liabilities at March 31, 2003 and 2004 are as follows:

	2003	2004
	(in millions)	
Deferred tax assets:		
Allowance for loan losses	¥ 1,648,336	¥ 1,428,952
Net operating loss carryforwards	895,580	808,406
Accrued severance indemnities and pension liabilities	246,671	121,967
Investment securities	346,843	182,805
Accrued liabilities and others	85,633	128,619
Sale-and-leaseback transactions	1,118	2,240
Derivative financial instruments	18,186	35,675
Depreciation	14,658	13,177
Foreign currency translations	1,797	942
Valuation allowance	(3,010,898)	(2,465,814)
Total deferred tax assets	247,924	256,969

Deferred tax liabilities:		
Gain on establishment of retirement benefit trust	48,357	65,077
Intangible assets	154,515	135,618
Tangible assets	15,318	12,503
Accrued income	8,000	7,065
Deferred tax on undistributed earnings of foreign subsidiaries	29,434	42,944
Other	685	101
Total deferred tax liabilities	256,309	263,308
Net deferred tax liabilities	¥ 8,385	¥ 6,339

A valuation allowance is recorded when it is more likely than not that some portion of or all of the deferred tax asset will not be realized. The ultimate realization of the deferred tax asset depends on the ability to generate sufficient taxable income of the appropriate character in the future at the individual company level. UFJ Group has provided a valuation allowance for the major part of the deferred tax asset attributable to the UFJ Group s subsidiaries with operating loss carryforwards and existing deductible temporary differences, primarily due to the existence of high levels of accumulated deficits, taxable losses and credit costs incurred in the past years for domestic subsidiaries.

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The net change in the valuation allowance for the deferred income tax assets was a decrease of ¥545,084 million for the fiscal year ended March 31, 2004, which primarily reflected a decrease in such deductible temporary differences and operating loss carryforwards of these subsidiaries. The reduction in the valuation allowance against the deferred tax asset that existed at the acquisition date of Tokai Bank and Toyo Trust was applied to reduce goodwill by the amount of ¥86,532 million for the fiscal year ended March 31, 2004.

At March 31, 2004, the UFJ Group had operating loss carryforwards of ¥1,984,673 million and no tax credit carryforwards for tax purposes. Such carryforwards, if not utilized, are scheduled to expire as follows:

	Operating loss carryforwards
	(in millions)
Fiscal year ending March 31:	
2005	¥ 45,530
2006	64,400
2007	5
2008	58
2009	48,026
2010	1,629,303
2011 and thereafter	197,351
Total	¥ 1,984,673

In March 2004, the Japanese government extended the period for operating loss carryforwards from five years to seven years under the corporate tax law. This change applied retroactively to operating loss carryforwards for fiscal years beginning on or after April 1, 2001.

Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain for the fiscal year ended March 31, 2003 and income before income tax expense and cumulative effect of change in accounting principle for the fiscal year ended March 31, 2004 are as follows:

	2003	2004
	(in millions)	
Domestic income (loss)	¥ (335,419)	¥ 661,695
Foreign income	71,045	44,611

Total	¥ (264,374)	¥ 706,306

9. PLEDGED ASSETS AND COLLATERAL

Pledged Assets

At March 31, 2004, the primary components of all assets mortgaged, pledged, or otherwise subject to lien with corresponding liabilities are as follows:

	(in millions)
Trading securities	¥ 1,042,488
Investment securities	4,520,666
Loans	3,801,710
Other	41,521
Total	¥ 9,406,385

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The above pledged assets are classified by type of liabilities to which they relate as follows:

	(in millions)
Deposits	¥ 618,136
Call money and funds purchased	719,227
Payables under repurchase agreements and securities lending transactions	1,817,046
Other short-term borrowings and long-term debt	6,251,648
Other	328
Total	¥ 9,406,385

In addition, at March 31, 2004, the UFJ Group has pledged certain non-cash financial assets, aggregating ¥3,945,947 million 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. Such assets primarily include loans and securities. The securities pledged consist principally of Japanese national government and Japanese government agency bonds.

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 UFJ Group, which are included in Cash and due from banks and Interest-earning deposits in other banks, are ¥2,348,209 million and ¥2,381,921 million, respectively.

Collateral

The UFJ Group both accepts and pledges financial assets as collateral for transactions. Such transactions typically include commercial loans, repurchase and reverse repurchase agreements, security lending transactions, call money and derivatives transactions, while eligible collateral includes, marketable debt and equity securities, trade receivables and certificates of deposit.

Secured parties, including creditors and counterparties to certain transactions, may sell or re-pledge financial assets provided as collateral but their ability to do so differs according to interpretations of specific provisions of applicable statutes, contracts and market practices since certain contracts do not explicitly define the secured party s right to sell or re-pledge collateral. The value of assets pledged is reported on the face of the consolidated balance sheet only when the UFJ Group determines, based on the information available to it, that a secured party is permitted to sell or re-pledge, either by contract or custom, the collateral it received.

At March 31, 2004, the UFJ Group pledged assets with a fair value of ¥10,637,477 million as collateral that it has determined may not be sold or re-pledged by the secured parties.

Certain banking subsidiaries accept collateral for commercial loans and other banking transactions under standardized agreements with customers which stipulate that customers may be required to provide collateral or guarantees. Applicable legislation in Japan generally permits collateral to be negotiated or transferred unless otherwise prohibited by contract or other statutes. Nevertheless, in common with market practice in Japan, the UFJ Group does not sell or re-pledge collateral accepted in connection with commercial loans unless a debtor defaults or other specified credit events occur.

Derivative agreements commonly used in the marketplace do not prohibit a secured party s disposition of financial assets received as collateral. Similarly, in reverse repurchase agreements and securities borrowing transactions, assets accepted as collateral may be sold or re-pledged.

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At March 31, 2004, the fair value of the collateral accepted by the UFJ Group that is permitted to be sold or re-pledged was approximately ¥3,240,666 million, of which approximately ¥2,921,419 million was sold or re-pledged.

10. DEPOSITS

The balances of time deposits, including certificates of deposit (CDs), issued in amounts of ¥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 are ¥14,817,984 million and ¥1,401,607 million, respectively, at March 31, 2003, and ¥15,046,435 million and ¥1,728,760 million, respectively, at March 31, 2004.

Maturities of domestic and foreign time deposits, including CDs at March 31 2004, are as follows:

	Domestic	Foreign
	(in millions)	
Due in one year or less	¥20,250,772	¥1,751,408
Due after one year through two years	2,023,267	6,434
Due after two years through three years	1,705,962	1,355
Due after three years through four years	429,842	
Due after four years through five years	441,797	158
Due after five years	203,683	
Total	¥25,055,323	¥1,759,355

11. CALL LOANS AND FUNDS SOLD, AND CALL MONEY AND FUNDS PURCHASED

A summary of call loans, call money and funds transactions at March 31, 2003 and 2004 is as follows:

	2003	2004
	(in millions)	

Balance at end of the fiscal year:		
Call money and funds purchased	¥ 1,571,397	¥ 2,204,080
Call loans and funds sold	213,670	252,169
Net funds purchased position	¥ 1,357,727	¥ 1,951,911
Call money and funds purchased:		
Outstanding at end of fiscal year:		
Amount	¥ 1,571,397	¥ 2,204,080
Weighted average interest rate	0.10%	0.04%

12. DUE TO TRUST ACCOUNT

UFJ Trust holds assets on behalf of its customers in an agent, fiduciary or trust capacity. Such trust account assets are not the UFJ Group s proprietary assets and are managed and accounted for separately. However, excess cash funds of individual trust accounts are often placed with UFJ Trust, which 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. In view of the UFJ 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

response to the day-to-day changes in the excess funds placed by the trust accounts. The weighted average interest rate of Due to trust account transactions is 0.48% and 0.47% on the balance at the end of the fiscal years ended March 31, 2003 and 2004, respectively.

13. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2003 and 2004, the UFJ Group had unused lines of credit amounting to ¥1,927,918 million and ¥2,381,096 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 UFJ Group may borrow from The Bank of Japan on demand up to the total amount of collateral eligible for credit extension.

Short-term borrowings at March 31, 2003 and 2004 are comprised of the following:

	2003	2004
	(in millions)	
Domestic offices:		
Loans on notes and acceptances transferred with recourse (rediscount)	¥ 3,597,100	¥ 2,652,500
Commercial paper	757,730	1,442,990
Borrowings from financial institutions	1,039,161	798,302
Other	8,693	7,602
Total domestic offices	5,402,684	4,901,394
Foreign offices:		
Commercial paper	67,275	50,980
Other	128,468	75,621
Total foreign offices	195,743	126,601
Total	¥ 5,598,427	¥ 5,027,995
Weighted average interest rate on outstanding balance at end of fiscal year	0.18%	0.11%

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Long-term debt (with original maturities of more than one year) at March 31, 2003 and 2004 is comprised of the following:

	2003	2004
	(in millions)	
UFJ Holdings:		
Obligations under capital leases	¥ 13	¥ 8
Subordinated debt:		
Perpetual bonds, payable in Japanese Yen, 0.41%	100,000	100,000
Total UFJ Holdings	100,013	100,008
UFJ Bank:		
Obligations under capital leases	17,499	25,366
Obligation under sale-and-leaseback transactions	89,800	89,800
Loan participation borrowings	294,583	356,930
Unsubordinated debt:		
Insurance companies and other institutions, due 2004-2028, principally 0.00%-6.30%	112,324	97,904
Fixed rate bonds, payable in Japanese Yen, due 2004-2009, principally 0.58%-2.08%	1,298,468	1,519,631
Adjustable rate bonds, payable in Japanese Yen, due 2014, 2.00%	20,000	20,000
Subordinated debt:		
Fixed rate borrowings, payable in Japanese Yen, due 2004-2013, principally 1.95%-4.40%	271,000	271,000
Floating rate borrowings, payable in Japanese Yen, due 2005-2009, principally 1.65%-1.80%	7,800	7,800
Adjustable rate borrowings, payable in Japanese Yen, due 2009-2013, principally 1.22%-2.13%	167,500	191,000
Perpetual borrowings, payable in Japanese Yen, principally 1.31%-3.80%	47,000	47,000
Adjustable rate bonds, payable in Japanese Yen, due 2009-2013, principally 0.65%-1.27%	154,800	154,500
Fixed rate bonds, payable in Japanese Yen, due 2013, 1.30%		64,300
Fixed rate bonds, payable in United States Dollars, due 2011, 7.40%	238,775	209,251
Total UFJ Bank	2,719,549	3,054,482
UFJ Trust:		
Obligation under capital leases	3,889	2,782
Loan participation borrowings	174,267	47,081
Unsubordinated debt:		
Insurance companies and other institutions, due 2004, principally 0.90%-4.75%	9,005	9,001
Subordinated debt:		
Fixed rate borrowings, payable in Japanese Yen, due 2005-2013, principally 2.61%-3.70%	9,000	9,000
Adjustable rate borrowings, payable in Japanese Yen, due 2010-2015, principally 1.65%-5.85%	35,000	35,000
Adjustable rate bonds, payable in Japanese Yen, due 2010-2011, principally 0.87%-2.20%	38,900	69,800
Total UFJ Trust	270,061	172,664

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other subsidiaries:		
Obligation under capital leases	¥ 8,101	¥ 5,875
Unsubordinated debt:		
Fixed rate borrowings, payable in Japanese Yen, due 2004-2008, principally 0.25%-6.00%	94,826	119,167
Floating rate borrowings, payable in Japanese Yen, due 2004-2005, principally 1.62%-1.65%	910	545
Fixed rate borrowings, payable in New Taiwan Dollars, due 2003, principally 6.20%-6.30%	448	
Fixed rate bonds and notes, payable in Japanese Yen, due 2004-2007, principally 1.00%-23.20%	3,882	3,955
Fixed rate bonds and notes, payable in United States Dollars, due 2003-2007, principally 6.60%-8.00%	3,336	367
Fixed rate bonds, payable in Euro, due 2003, 4.20%	1,254	
Adjustable rate bonds and notes, payable in Japanese Yen, due 2011-2023, principally 0.57%-4.48%	11,437	9,320
Adjustable rate bonds and notes, payable in United States Dollars, due 2005-2013, principally 3.50%-8.00%		1,715
Subordinated debt:		
Fixed rate borrowings, payable in Japanese Yen, due 2004, 3.75%	5,058	4,989
Floating rate borrowings, payable in Japanese Yen, due 2005-2014, principally 0.23%-2.15%	8,058	15,989
Fixed rate bonds and notes, payable in Japanese Yen, due 2010-2014, principally 3.00%-4.90%	25,200	27,200
Adjustable rate bonds and notes, payable in Japanese Yen, due 2009-2013, principally 0.22%-4.00%	51,200	55,000
Fixed rate bonds and notes, payable in United States Dollars, due 2009-2013, principally 6.75%-8.35%	179,987	286,293
Perpetual bonds, payable in Japanese Yen, principally 0.42%-4.15%	152,300	103,800
Perpetual bonds, payable in United States Dollars, 8.75%		61,192
Borrowings of variable interest entities	2,684	26,511
Bonds and notes of variable interest entities	95,721	108,686
Total other subsidiaries	644,402	830,604
Total UFJ Group	¥ 3,734,025	¥ 4,157,758

Note: 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 interest rate indices.

The obligation under sale-and-leaseback transactions includes bonds of ¥62,000 million redeemable between 2005 and 2007, with adjustable rates from 0.743% to 3.273% and redeemable preferred equities of ¥27,800 million redeemable between 2005 and 2012, with the dividend rate capped in a range between 3.6% and 10.4%.

Certain unsubordinated bonds and notes (aggregating ¥15,357 million at March 31, 2004), and certain subordinated bonds and notes (aggregating ¥533,485 million at March 31, 2004) issued by subsidiaries are guaranteed, on a subordinated basis, by UFJ Bank, UFJ Trust or a subsidiary as to payment of principal and interest.

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, respectively. 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).

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Certain debt agreements permit UFJ Bank, UFJ 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:

	UFJ Bank	UFJ Trust	UFJ Holdings and other subsidiaries	Total
			(in millions)	
Fiscal year ending March 31:				
2005	¥ 269,748	¥ 29,526	¥ 90,258	¥ 389,532
2006	611,735	25,131	56,334	693,200
2007	403,249	3,526	54,284	461,059
2008	410,507	2,180	27,968	440,655
2009	357,015	1,501	29,628	388,144
2010 and thereafter	1,002,228	110,800	672,140	1,785,168
Total	¥ 3,054,482	¥ 172,664	¥ 930,612	¥ 4,157,758

14. SEVERANCE INDEMNITIES AND PENSION PLANS

Substantially all of the employees of UFJ Holdings are seconded by UFJ Bank and UFJ Trust. These employees are covered by the severance indemnity and annuity plans offered by each respective employer as discussed below.

The employees of UFJ Bank, UFJ Trust and certain other domestic subsidiaries are covered under lump-sum severance indemnity plans. Under the lump-sum severance indemnity plans, employees receive, at the time of termination of their employment either voluntarily or at contractual retirement age, benefit payments in the form of lump-sum cash payment. Employees with service of one year or more are eligible for the severance indemnity.

In addition to the lump-sum severance indemnities, UFJ Bank, UFJ Trust and certain other domestic subsidiaries offer funded annuity plans to their retiring employees. The annuity plans are established and administered pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). Under the JWPIL, employers with 5 or more full-time employees are required to participate in the Welfare Pension, which is substantially similar to Social Security in the United States. Employers who participate in the Welfare Pension may, at their discretion, enhance annuity benefits by establishing additional plans known as Employees Pension Funds (EPF). The EPF generally comprises two parts, the corporate

portion and the substitutional portion. The benefits paid from the substitutional portion are based on a standard remuneration table set forth by the JWPIL, whereas the benefits paid from the corporate portion is set forth by the employers that sponsor the plans or the EPF. The benefits provided by the corporate portion of the EPFs sponsored by the UFJ Group are generally based on the length of service and remuneration at the time of termination, except for UFJ Bank, which adopted a new plan formula in April 2002 based on points that employees accumulate over their careers, and determined based on job titles and certain professional certifications.

UFJ Trust and certain other domestic subsidiaries also offer retirement benefits under tax qualified pension plans, which are funded contributory defined annuity plans. These plans generally cover employees with a service period of 5 years or more, and the annuity benefits vest with the employees with a service period of 15 years or more. The plan provides lifetime annuity benefits with guaranteed annuity payment for 15 years commencing in the month following the month an eligible employee reaches age 60. The amount of annuity benefits is determined based on points that employees accumulate over their careers.

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In June 2001, the JWPIL was amended to permit an employer to separate the substitutional portion and transfer the obligation and related assets to the government. In September 2002, UFJ Bank obtained an approval of exemption from the obligation for benefits related to future employee service related to the substitutional portion of its EPF, and started to make pension insurance payments to the government. UFJ Bank received a final approval for separation from the government in November 2004. In accordance with the provisions of EITF 03-2, the entire separation process is accounted for as a settlement upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets, which happened immediately after the final approval was granted by the government. The benefit obligation and related plan assets pertaining to UFJ Bank s substitutional portion at March 31, 2004 amounted to ¥211,099 million and ¥123,863 million, respectively.

The components of net periodic benefit cost for the years ended March 31, 2003 and 2004 are as follows:

	2003	2004
	(in millions)	
Service cost benefits earned during the fiscal year	¥ 26,472	¥ 22,313
Interest costs on projected benefit obligation	25,115	18,988
Expected return on plan assets	(30,372)	(25,893)
Amortization of unrecognized prior service cost	(4,083)	(5,206)
Amortization of net actuarial loss	643	24,347
Net periodic benefit cost	¥ 17,775	¥ 34,549

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in projected benefit obligation and plan assets, funded status and composition of amounts recognized in the consolidated balance sheets at March 31, 2003 and 2004 for the lump-sum severance indemnity plans and the annuity plans are as follows:

	2003			2004		
	Severance indemnities plans and non-contributory annuity plans	Contributory annuity plans	Total	Severance indemnities plans and non-contributory annuity plans	Contributory annuity plans	Total
			(in millions)			
Change in benefit obligation:						
Projected benefit obligation at beginning of fiscal year	¥ 101,135	¥ 855,508	¥ 956,643	¥ 109,193	¥ 991,325	¥ 1,100,518
Service cost	7,178	19,294	26,472	6,306	16,007	22,313
Interest cost	2,623	22,492	25,115	1,859	17,129	18,988
Plan participants contributions		1,216	1,216		366	366
Acquisitions	6,184		6,184			
Actuarial loss (gain)	3,899	119,513	123,412	(5,885)	(188,873)	(194,758)
Benefits paid	(11,826)	(26,698)	(38,524)	(15,902)	(26,481)	(42,383)
Projected benefit obligation at end of fiscal year	109,193	991,325	1,100,518	95,571	809,473	905,044
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	68,753	790,595	859,348	66,460	671,600	738,060
Actual return (negative return) on plan assets	(11,406)	(147,821)	(159,227)	40,851	129,128	169,979
Acquisitions	1,633		1,633			
Employer contributions	19,306	54,308	73,614	20,899	133,824	154,723
Plan participants contributions		1,216	1,216		366	366
Benefits paid	(11,826)	(26,698)	(38,524)	(15,902)	(26,481)	(42,383)
Fair value of plan assets at end of fiscal year	66,460	671,600	738,060	112,308	908,437	1,020,745
Funded status of the plan	(42,733)	(319,725)	(362,458)	16,737	98,964	115,701
Unrecognized net actuarial loss	43,124	346,245	389,369	10,488	101,430	111,918
Unrecognized prior service cost	9,827	(51,878)	(42,051)	9,147	(100,523)	(91,376)
Net pension asset (liability) amount recognized	¥ 10,218	¥ (25,358)	¥ (15,140)	¥ 36,372	¥ 99,871	¥ 136,243
Amounts recognized in the balance sheets:						
Prepaid pension cost	¥ 275	¥	¥ 275	¥ 50,876	¥ 104,067	¥ 154,943
Accrued pension liability	(36,618)	(299,290)	(335,908)	(14,504)	(6,954)	(21,458)
Intangible assets	10,643		10,643			
Accumulated other changes in equity from nonowner sources	35,918	273,932	309,850		2,758	2,758

Net pension asset (liability) amount recognized	¥ 10,218	¥ (25,358)	¥ (15,140)	¥ 36,372	¥ 99,871	¥ 136,243
Accumulated benefit obligation at end of fiscal year	¥ 88,264	¥ 947,830	¥ 1,036,094	¥ 74,225	¥ 784,303	¥ 858,528

At March 31, 2003, the projected benefit obligation and accumulated benefit obligation are in excess of the fair value of plan assets for all plans. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with benefit obligations in excess of plan assets at March 31, 2004 are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

¥25,193 million, ¥23,795 million and ¥2,758 million, respectively. The change in the amount included within other changes in equity from nonowner sources for the period arising from the additional minimum pension liability recognized is an increase of ¥303,681 million and a decrease of ¥307,092 million for the years ended March 31, 2003 and 2004, respectively.

During the fiscal years ended March 31, 2003 and 2004, the UFJ Group contributed marketable equity securities with fair value totaling ¥26,700 million and ¥116,697 million, respectively, to the pension trusts designated to pay annuity benefits and lump sum severance indemnities and recognized a gain of ¥16,292 million and ¥40,204 million, respectively.

The UFJ Group expects to contribute ¥33,800 million to the severance indemnity and annuity plans during the year ending March 31, 2005.

During the year ended March 31, 2003 and 2004, certain subsidiaries of UFJ Holdings instituted early retirement plans under which employees accepting early retirement were entitled to receive benefits in addition to regular retirement benefits. The expense recognized in connection with such additional benefits amounted to ¥14,069 million and ¥10,734 million for the years ended March 31, 2003 and 2004, respectively.

Weighted-average actuarial assumptions used to determine net periodic benefit cost for the years ended March 31, 2003 and 2004 and net obligations at March 31, 2003 and 2004 are as follows:

	2003	2004
Weighted-average assumptions used:		
Discount rate in determining expense	2.63%	1.74%
Discount rate in determining benefit obligation	1.74	2.49
Rate of increase in future compensation level for determining expense	5.11	5.11
Rate of increase in future compensation level for determining benefit obligation	5.11	4.96
Expected rate of return on plan assets	3.53	2.57

The UFJ Group determines its assumptions for the expected rate of return on plan assets using a forward-looking building block approach. In the forward-looking building block approach, the rate of return for each component of the plan assets is derived using long-term historical performance and forward-looking return expectations based on future prospects of the economy and capital markets. The expected rate of return on plan assets is the average of the expected rates of return that is weighted by portfolio allocation.

The primary objective of the UFJ Group s investment policy is to maximize return for an appropriate level of risk the UFJ Group can assume to ensure that, combined with the UFJ Group s contributions, funds will be available to cover future benefit payments to the plan participants.

The plan assets are separately administered by each of UFJ Group s subsidiaries. The asset allocation at March 31, 2003 and 2004 as well as the target asset allocation of UFJ Bank and UFJ Trust, the two largest subsidiaries of UFJ Group, are as follows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocation of plan assets for UFJ Bank s annuity plan is as follows:

Asset category	Assets ratio at March 31,	
	2003	2004
EPF assets		
Japanese equity securities	24.58%	23.41%
Japanese debt securities	11.50	28.86
General account of life insurance companies	34.89	
Non-Japanese equity securities	19.68	14.51
Non-Japanese debt securities	6.28	8.14
Short-term assets	3.07	25.08
	100.00%	100.00%

In addition to the EPF assets above, UFJ Bank sponsors pension trusts designated to provide annuity benefits and lump sum severance indemnities to the plan participants, which almost entirely comprise Japanese equity securities.

The general account of life insurance companies is a product offered by life insurers with a guaranteed rate of return, where funds are pooled and invested in securities with relatively low market risk such as Japanese government bonds.

The plan assets belonging to the substitutional portion of the EPF are invested in risk-free assets to avoid potential depreciation in value and incurrence of a loss at the time of the transfer to the government. At March 31, 2003, such plan assets were included in the general account of life insurance companies. The general account of life insurance companies was subsequently cancelled and the fund has been reallocated to short-term assets at March 31, 2004.

Japanese equity securities include the UFJ Group s common stock in the amounts of ¥187 million and ¥782 million at March 31, 2003 and 2004, respectively.

UFJ Bank s target asset allocation for the EPF assets including those pertaining to the substantial portion at March 31, 2004 is as follows:

Asset category	Asset ratio
EPF assets	
Japanese equity securities	22.0%
Japanese debt securities	30.0
Non-Japanese equity securities	15.0
Non-Japanese debt securities	8.0
Short-term assets	25.0
Total	100.0%

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocation of plan assets for UFJ Trust s annuity plan is as follows:

Asset category	Asset ratio at March 31,	
	2003	2004
EPF assets		
Japanese equity securities	32.93%	36.73%
Japanese debt securities	38.79	36.30
Non-Japanese equity securities	21.15	19.58
Non-Japanese debt securities	5.64	5.22
Others	1.49	2.17
Total	100.0%	100.0%

Japanese equity securities include the UFJ Group s common stock in the amounts of ¥13 million and ¥67 million at March 31, 2003 and 2004, respectively.

Similar to UFJ Bank, UFJ Trust sponsors pension trusts designated to provide annuity benefits and lump sum severance indemnities to the plans participants, which almost entirely comprise Japanese equity securities. In addition to the pension trusts, UFJ Trust sponsors a separate plan asset for the tax-qualified pension plan, which is held in the general account of life insurance companies.

UFJ Trust s target asset allocation for the EPF assets at March 31, 2004 is as follows:

Asset category	Asset ratio
EPF assets	
Japanese equity securities	37.0%
Japanese debt securities	36.0
Non-Japanese equity securities	20.0
Non-Japanese debt securities	5.0
Others	2.0
Total	100.0%

The original implementation date of the Statement of Financial Accounting Standards No. 87, *Employers Accounting for Pensions* (SFAS No. 87), was the fiscal year beginning after December 15, 1988 for non-US plans. Due to the unavailability of data, however, the UFJ Group adopted SFAS No. 87 from the fiscal year ended March 31, 2002 for the purpose of the consolidated financial statements. Because the expected future service period of the existing employees as at the adoption date was approximately 12 years assuming that SFAS No. 87 had been adopted at its original implementation date, the net transition obligation of ¥252,598 million was charged directly to equity in its entirety as at March 31, 2002.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. OTHER ASSETS AND LIABILITIES

Major components of other assets and liabilities at March 31, 2003 and 2004 are as follows:

	2003	2004
	(in millions)	
Other assets:		
Investments in affiliated companies	¥ 58,371	¥ 267,404
Other real estate owned, net	4,524	3,610
Non-interest-earning deposits with the Special Fund and the New Fund	169,884	174,582
Prepaid pension cost (Note 14)	275	154,943
Deposits with exchanges	54,861	110,057
Lease deposits	107,894	97,410
Other	249,131	361,902
Total	¥ 644,940	¥ 1,169,908
Other liabilities:		
Deferred tax liabilities (Note 8)	¥ 32,220	¥ 69,658
Allowance for credit losses on acceptances and off-balance sheet credit instruments	67,523	68,354
Accrued pension liability (Note 14)	335,908	21,458
Minority interest	850,816	841,775
Unearned income	159,771	194,160
Accrued and other liabilities	160,186	243,547
Guarantees and indemnifications	62,905	112,441
Total	¥ 1,669,329	¥ 1,551,393

Investments in affiliated companies are accounted for using the equity method. Among the investments are affiliated companies which are listed companies. The investment in such companies is carried at ¥41,782 million and ¥49,616 million, respectively, at March 31, 2003 and 2004. The corresponding aggregated market values for such listed affiliated companies are ¥44,002 million and ¥62,138 million as at March 31, 2003 and 2004, respectively.

At March 31, 2003 and 2004, the valuation allowance to reduce the carrying amounts of other real estate owned, which represents assets acquired through foreclosure, to their estimated fair value less estimated cost to sell is ¥1,589 million and ¥1,272 million, respectively. The valuation allowance decreased by ¥671 million and ¥317 million, respectively, during the fiscal years ended March 31, 2003 and 2004.

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 the Housing Loan Corporation (HLAC) to collect and dispose of 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 UFJ Group, waived repayment of substantial amounts of 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 UFJ Group made loans

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to HLAC of ¥295,626 million with an original maturity term of 15 years, which were included in the loan portfolio at March 31, 2003 and 2004. The 15-year term loans to HLAC, which are guaranteed by the DIC under the legislation and 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 UFJ Group made non-interest-earning deposits of ¥214,023 million with the Special Fund and the New Fund in the fiscal year ended March 31, 1997. The deposit balances at March 31, 2003 and 2004, which are included in Other assets, are ¥169,884 million and ¥174,582 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 law concerning Reorganizing Specialized Housing Loan Companies (the Jusen Law) states that Japanese government can compensate for half of such losses, and the DIC can cover the remaining half of the losses. The investment income to be earned by the Special Fund and the New Fund during the 15 years is used by the DIC to compensate for a portion of the public funds used for the Jusen restructuring.

In addition, the Jusen Law states that the DIC can use funds held in the general account to eliminate the cumulative losses incurred at the Special Fund up to the amount prescribed in the Jusen Law. The DIC receives insurance premiums from insured banks at a specified percentage of their deposit balances and manages the insurance premiums in the general accounts. The utilization of funds managed in the general account will be determined by the Operating Committee at the DIC and approved by the Prime Minister and the Minister of Finance.

At this time management believes all loans and deposits will be collectible according to their respective terms.

16. COMMON STOCK, PREFERRED STOCK AND CAPITAL SURPLUS

The change in the number of shares of common stock outstanding during the fiscal years ended March 31, 2003 and 2004 is as follows:

	2003	2004
	(number of shares)	

Balance at beginning of fiscal year	4,858,856	5,036,314
Issuance of new shares of common stock upon conversion of shares of Class I, III and VI Preferred stock	177,458	57,094
Balance at end of fiscal year	5,036,314	5,093,408

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Preferred stock issued and outstanding at March 31, 2003 and March 31, 2004 is as follows:

	Outstanding at March 31, 2002	Conversion to shares of common stock during the year	Outstanding at March 31, 2003	Conversion to shares of common stock during the year	Outstanding at March 31, 2004
			(number of shares)		
Preferred stock					
Class I	17,571	(3,502)	14,069	(527)	13,542
Class II	200,000		200,000		200,000
Class III	49,149	(15,662)	33,487	(16,498)	16,989
Class IV	150,000		150,000		150,000
Class V	150,000		150,000		150,000
Class VI	80,000	(70,977)	9,023	(8,015)	1,008
Class VII	200,000		200,000		200,000

	Par value at March 31, 2002	Conversion to shares of common stock during the year	Par value at March 31, 2003	Conversion to shares of common stock during the year	Par value at March 31, 2004
			(in millions)		
Preferred stock					
Class I	¥ 26,356	¥ (5,253)	¥ 21,103	¥ (790)	¥ 20,313
Class II	300,000		300,000		300,000
Class III	49,149	(15,662)	33,487	(16,498)	16,989
Class IV	150,000		150,000		150,000
Class V	150,000		150,000		150,000
Class VI	40,000	(35,488)	4,512	(4,008)	504
Class VII	100,000		100,000		100,000
Total	¥ 815,505	¥ (56,403)	¥ 759,102	¥ (21,296)	¥ 737,806

Shares of Preferred stock that are converted to shares of Common stock are cancelled and retired when converted; for Class I through VII Preferred stock the number of shares authorized and issued is equal to the number outstanding. UFJ Holdings is authorized to issue 700,000 shares each of Class VIII and IX Preferred stock, none of which have been issued.

	Cash dividends for the year

	ended March 31,	
	2003	2004
	(in millions)	
Preferred stock		
Class I	¥ 984	¥ 264
Class II	4,770	1,590
Class III	5,055	1,151
Class IV	4,185	1,395
Class V	4,365	1,455
Class VI	474	24
Class VII	3,450	1,150
Total	¥ 23,283	¥ 7,029

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The portion of proceeds from the sale of shares that is designated as capital stock is determined by resolution of the Board of Directors of UFJ Holdings; however, at least 50% of the issue price of newly issued shares is required to be designated as capital stock under the Japanese Commercial Code (the Code). Proceeds in excess of amounts designated as capital stock are designated as capital surplus.

Convertible preferred stock contains a beneficial conversion feature if the effective conversion price (either initially or after being reset) for a share of common stock upon conversion is less than the market price of a share of common stock when the preferred stock was issued. UFJ Holdings accounts for the beneficial conversion features of its preferred stock under the recognition and measurement principles of EITF Issue No. 98-5 Accounting for Convertible Securities with Beneficial Conversions Features or Contingently Adjustable Conversion Ratios and EITF Issue No. 00-27 Application of EITF Issue No. 98-5 to Certain Convertible Instruments .

Beneficial conversion feature discounts are measured as the excess of the market price of a share of common stock when the preferred stock is issued over the initial or reset preferred stock conversion price per share of common stock. Beneficial conversion feature discounts are charged to capital surplus when recognized and amortized to accumulated deficit, as non-cash preferred dividends using the effective yield method. Initial beneficial conversion feature discounts are amortized over the period from the issuance date of the preferred stock to the mandatory conversion date. Contingent beneficial conversion feature discounts are recognized when the reset conversion price is determinable and amortized over the period from the conversion price reset date to the mandatory conversion date. Any unamortized beneficial conversion feature discount remaining when preferred stock is converted at the option of the holder before the mandatory conversion date is immediately charged to accumulated deficit as a non-cash preferred dividend.

Significant terms of Preferred stock as of March 31, 2004 consisted of the following:

Class I Preferred stock

Class I preferred stockholders are entitled to receive annual non-cumulative dividends of ¥37,500 per share with priority over common stockholders, and a distribution of ¥3,000,000 per share upon the liquidation of UFJ Holdings.

Class I Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including the day of establishment of UFJ Holdings to and including July 31, 2005, except during certain excluded periods, at an initial conversion price of ¥850,600 per share of common stock, subject to anti-dilution adjustments. The conversion price was subject to reset on August 1 of 2001, 2003 and 2004 to the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date, if the average market price were less than the conversion price prior to the reset, but not less than ¥750,000 per share. All Class I Preferred stock outstanding on August 1, 2005 will be mandatorily converted into shares of common stock at a conversion ratio of ¥3,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to August 1, 2005 and (y) ¥750,000.

The conversion price for Class I Preferred stock was reset on August 1, 2001 to ¥750,000 per share of common stock, giving rise to an aggregate contingent beneficial conversion feature discount of ¥3,200 million, which is being amortized through August 1, 2005.

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Class II Preferred stock

Class II preferred stockholders are entitled to receive annual non-cumulative dividends of ¥15,900 per share with priority over common stockholders, and a distribution of ¥3,000,000 per share upon the liquidation of UFJ Holdings.

Class II Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including July 1, 2001 to and including July 31, 2008, except during certain excluded periods, at an initial conversion price of ¥1,050,000 per share of common stock, subject to anti-dilution adjustments. The conversion price is subject to reset annually on August 1, from 2001 to 2007 to the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date, multiplied by 1.025, but not less than ¥1,050,000 per share. All Class II Preferred stock outstanding on August 1, 2008 will be mandatorily converted into shares of common stock at a conversion ratio of ¥3,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to August 1, 2008 and (y) ¥750,000.

Class III Preferred stock

Class III preferred stockholders are entitled to receive annual non-cumulative dividends of ¥68,750 per share with priority over common stockholders, and a distribution of ¥2,000,000 per share upon the liquidation of UFJ Holdings.

Class III Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including the day of establishment of UFJ Holdings to and including September 30, 2004, except during certain excluded periods, at an initial conversion ratio of 0.888 share of common stock per share of preferred stock, subject to anti-dilution adjustments. The conversion ratio was subject to reset on October 5 of 2001, 2002 and 2003 to ¥2,000,000 divided by the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date, but not less than 0.888 or more than 2.480. All Class III Preferred stock outstanding on October 1, 2004 will be mandatorily converted into common stock at a conversion ratio of ¥2,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to October 1, 2004 and (y) ¥806,500.

Class IV Preferred stock

Class IV preferred stockholders are entitled to receive annual non-cumulative dividends of ¥18,600 per share with priority over common stockholders, and a distribution of ¥2,000,000 per share upon the liquidation of UFJ Holdings.

Class IV Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including July 1, 2002 to and including March 30, 2009, except during certain excluded periods, at an initial conversion ratio of 2.202 shares of common stock per preferred stock, subject to anti-dilution adjustments. The conversion ratio is subject to reset annually on October 5 from 2002 to 2008 to ¥2,000,000 divided by the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date multiplied by 1.035, but not more than 3.543. All Class IV Preferred stock outstanding on March 31, 2009 will be mandatorily converted into common stock at a conversion ratio of ¥2,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to March 31, 2009 and (y) ¥564,500.

The conversion ratio for the Class IV Preferred stock was reset on October 5, 2002 to 3.543 shares of common stock per share of preferred stock, giving rise to an aggregate contingent beneficial conversion feature discount of ¥88,246 million, which is being amortized through March 31, 2009.

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Class V Preferred stock

Class V preferred stockholders are entitled to receive annual non-cumulative dividends of ¥19,400 per share with priority over common stockholders, and a distribution of ¥2,000,000 per share upon the liquidation of UFJ Holdings.

Class V Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including July 1, 2003 to and including March 30, 2009, except during certain excluded periods, at an initial conversion ratio of 2.202 shares of common stock per share of preferred stock, subject to anti-dilution adjustments. The conversion ratio is subject to reset annually on October 5 from 2003 to 2008 to ¥2,000,000 divided by the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date multiplied by 1.035, but not more than 3.543. All Class V Preferred stock outstanding on March 31, 2009 will be mandatorily converted into common stock at a conversion ratio of ¥2,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to March 31, 2009 and (y) ¥564,500.

The conversion ratio for the Class V Preferred stock was reset on October 5, 2003 to 3.543 shares of common stock per share of preferred stock, giving rise to an aggregate contingent beneficial conversion feature discount of ¥89,434 million, which is being amortized through March 31, 2009.

Class VI Preferred stock

Class VI preferred stockholders are entitled to receive annual non-cumulative dividends of ¥5,300 per share with priority over common stockholders, and a distribution of ¥1,000,000 per share upon the liquidation of UFJ Holdings.

Class VI Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including the day of establishment of UFJ Holdings to and including July 31, 2014, except during certain excluded periods, at an initial conversion price of ¥710,900 per share of common stock, subject to anti-dilution adjustments. The conversion price was subject to reset annually on August 1 from 2001 to 2013 to the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date, if the average market price were less than the conversion price prior to the reset, but not less than ¥569,600 per share. All Class VI Preferred stock outstanding on August 1, 2014 will be mandatorily converted into shares of common stock at a conversion ratio of ¥1,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to August 1, 2014 and (y) ¥497,600.

The conversion ratio for the Class VI Preferred stock was reset on August 1, 2001 to 1.5408 shares of common stock per share of preferred stock, giving rise to a contingent beneficial conversion feature discount of ¥5,755 million, which is being amortized to August 1, 2014. The

conversion ratio for Class VI Preferred stock was further reset on August 1, 2002 to 1.7556 shares of common stock per share of preferred stock, giving rise to an additional contingent beneficial conversion feature discount of ¥12,389 million, which is being amortized through August 1, 2014.

Class VII Preferred stock

Class VII preferred stockholders are entitled to receive annual non-cumulative dividends of ¥11,500 per share with priority over common stockholders, and a distribution of ¥1,000,000 per share upon the liquidation of UFJ Holdings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Class VII Preferred stock is convertible into fully paid shares of UFJ Holdings common stock at the election of holders from and including the day of establishment of UFJ Holdings to and including July 31, 2009, except during certain excluded periods, at an initial conversion price of ¥704,300 per share of common stock, subject to anti-dilution adjustments. The conversion price was subject to reset annually on June 30 from 2001 to 2008 to the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to each reset date, if the average market price were less than the conversion price prior to the reset, but not less than ¥493,500 per share. All Class VII Preferred stock outstanding on August 1, 2009 will be mandatorily converted into shares of common stock at a conversion ratio of ¥1,000,000 divided by the higher of (x) the average market price of the common stock for the 30 trading day period beginning 45 trading days prior to August 1, 2009 and (y) ¥493,000.

The change in the unamortized discount arising from beneficial conversion features of the Preferred stock during the fiscal years ended March 31, 2003 and 2004 is as follows:

	Class I	Class IV	Class V	Class VI	Total
			(in millions)		
Balance at March 31, 2002	¥ 939	¥	¥	¥ 5,470	¥ 6,409
Addition on conversion price/ratio reset		88,246		12,389	100,635
Amortization to accumulated deficit	(224)	(5,751)		(120)	(6,095)
Charged to accumulated deficit on conversion of Preferred stock	(187)			(15,845)	(16,032)
Balance at March 31, 2003	528	82,495		1,894	84,917
Addition on conversion price/ratio reset			89,434		89,434
Amortization to accumulated deficit	(225)	(11,975)	(6,886)	(18)	(19,104)
Charged to accumulated deficit on conversion of Preferred stock	(12)			(1,683)	(1,695)
Balance at March 31, 2004	¥ 291	¥ 70,520	¥ 82,548	¥ 193	¥ 153,552

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, permits Japanese companies to effect purchases of their own stock pursuant to a resolution by the stockholders at an annual general meeting until the conclusion of the following ordinary general meeting of stockholders, and to hold such stock as its treasury stock 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 stock for subscription. Prior to October 1, 2001 in principle, reacquisition of treasury stock was prohibited with the exception of reacquisition for retirement and certain limited purposes, as specified by the Code. Any treasury stock were required to be disposed of in the near term.

17. ACCUMULATED DEFICIT, LEGAL RESERVE AND DIVIDENDS

In addition to the Code, Japanese banks, including UFJ Bank and UFJ Trust, are required to comply with the Banking Law of Japan (the Banking Law).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Legal Reserve Set Aside as Appropriation of Retained Earnings and Legal Capital Surplus

Under the Code

The Code as applicable to UFJ Holdings provides 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 (prior to October 1, 2001, 25% of common stock) as defined in the Code.

Under the Banking Law

The Banking Law as applicable to UFJ Bank and UFJ Trust provides 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.

Transfer of the Legal Reserve

Under the Code

Japanese companies, including UFJ Holdings, are permitted, pursuant to a resolution by the stockholders at a general meeting, to make amounts from the legal reserve set aside as appropriation of retained earnings and legal capital surplus available for dividends as long as the aggregate amount of the legal reserve and legal capital surplus equals at least 25% of stated capital as defined in the Code.

Under the Banking Law

Japanese banks, including UFJ Bank and UFJ Trust, are permitted, pursuant to a resolution by the stockholders at a general meeting, to make amounts from the legal reserve set aside as appropriation of retained earnings and legal capital surplus available for dividends as long as the aggregate amount of the legal reserve and legal capital surplus after the dividend equals at least 100% of stated capital as defined in the Code.

The Code permits the transfer, upon approval of the stockholders, of a portion of unappropriated retained earnings available for dividends to stated capital as defined in the Code.

Retained Earnings and Dividends

Under the Code, the amount available for dividends is based on the amount recorded in UFJ Holdings general books of account maintained in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The US GAAP adjustments included in the accompanying consolidated financial statements but not recorded in UFJ Holdings general books of account under Japanese GAAP 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, UFJ Holding, UFJ Bank and UFJ Trust have to meet minimum capital adequacy requirements. Distributions of retained earnings of UFJ Holdings and UFJ Bank, which would otherwise be distributable to stockholders, are restricted in order to maintain the minimum 4.0% Tier I capital for capital adequacy purposes. For UFJ Trust, which is not engaged in international operations conducted by foreign offices, distributions of retained earnings are restricted in order to maintain the minimum 2.0% Tier I capital for capital adequacy purposes.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

UFJ Holdings was established on April 2, 2001 with common stock of ¥135,000 million, Preferred stock of ¥865,000 million, legal capital surplus of ¥2,882,954 million and no retained earnings in accordance with the Code and Japanese GAAP.

UFJ Holdings amount available for dividends, at March 31, 2004, is ¥1,067,309 million, which is based on the amount recorded in Japanese GAAP. UFJ Holdings amount available for dividends increased by ¥4,010 million compared with ¥1,063,299 million at March 31, 2003.

Annual dividends, including those for Preferred stock, are approved by the stockholders 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 stockholders equity, dividends shown for each fiscal year represent dividends approved and paid during the fiscal year.

18. REGULATORY CAPITAL REQUIREMENTS

UFJ Holdings, UFJ Bank, UFJ Trust and various other bank subsidiaries 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 UFJ Holdings consolidated financial statements.

In Japan, UFJ Holdings, UFJ Bank, and UFJ Trust are subject to regulatory capital requirements administered by the Financial Services Agency (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, 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 Japanese GAAP. The UFJ 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, if trust principal is guaranteed, trust assets are counted the same as proprietary assets. 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 available for sale investment securities, 45% of the land revaluation excess, the

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 shares are includable in Tier I capital unless the preferred shares have a fixed maturity, in which case, such preferred shares 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. Tier II does not include the unrealized gains on available for sale investment securities and also the general reserves for credit losses includable is limited to 0.625% of risk weighted assets.

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.

UFJ Holdings and UFJ Bank have international operations conducted by foreign offices, as defined, and are subject to the 8.0% capital adequacy requirement. UFJ Trust is not engaged in international operations conducted by foreign offices and is subject to the 4.0% capital adequacy requirement. For the purpose of calculating the additional charge for market risk, UFJ Holdings and UFJ Bank have adopted the internal risk measurement model approach for general market risk calculations.

The risk-adjusted capital amounts and ratios of UFJ Holdings, UFJ Bank and UFJ Trust presented in the following table are based on amounts calculated in accordance with Japanese GAAP as required by the FSA.

	Actual		Minimum for capital adequacy purposes	
	Amount	Ratio	Amount	Ratio
	(in millions, except percentages)			
	(unaudited)			
Consolidated:				
At March 31, 2004:				
Total capital (to risk-weighted assets):				
UFJ Holdings	¥ 4,268,617	9.24%	¥ 3,694,879	8.00%

UFJ Bank	3,500,367	8.36	3,347,998	8.00
UFJ Trust	507,171	12.34	164,393	4.00
Tier I capital (to risk-weighted assets):				
UFJ Holdings	2,175,269	4.70	1,847,440	4.00
UFJ Bank	1,789,047	4.27	1,673,999	4.00
UFJ Trust	361,038	8.78	82,197	2.00
Stand-alone:				
At March 31, 2004:				
Total capital (to risk-weighted assets):				
UFJ Bank	¥ 3,379,780	8.43%	¥ 3,203,802	8.00%
UFJ Trust	518,951	12.82	161,918	4.00
Tier I capital (to risk-weighted assets):				
UFJ Bank	1,761,589	4.39	1,601,901	4.00
UFJ Trust	382,420	9.44	80,959	2.00

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Under the Securities and Exchange Law, securities companies in Japan are subject to the capital adequacy rules of the FSA. These rules require the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders equity, net unrealized gains and losses on securities held, reserves and subordinated debts) less illiquid assets. The business risks are divided into three categories: (1) market risks, (2) counterparty risks and (3) basic risks. Under this rule, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. At March 31, 2003 and 2004, the capital adequacy ratio of the UFJ Group exceeded 120%.

Management believes, at March 31, 2004, that UFJ Holdings, UFJ Bank, UFJ Trust, other bank subsidiaries and regulated securities subsidiaries meet all capital adequacy requirements to which they are subject.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. EARNINGS (LOSS) PER COMMON SHARE

Reconciliations of net income (loss) and weighted average number of shares of common stock 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, 2003 and 2004 are as follows:

	2003	2004
	(in millions)	
Income (Numerator):		
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	¥ (288,127)	¥ 610,688
Cumulative effect of change in accounting principle, net of taxes	(62,000)	(2,959)
Extraordinary gain, net of taxes	12,319	
Net income (loss)	(337,808)	607,729
Income allocable to preferred stockholders:		
Dividends on preferred stock	(23,283)	(7,029)
Beneficial conversion feature	(22,127)	(20,799)
Income (loss) available to common stockholders for basic earnings per share	(383,218)	579,901
Add back income allocable to holders of convertible preferred stock, if the convertible preferred stock is dilutive		
Dividends on preferred stock		7,005
Beneficial conversion feature		19,098
Income (loss) available to common stockholders for diluted earnings per share	¥ (383,218)	¥ 606,004

	2003	2004
	(in thousands of shares)	
Shares (Denominator):		
Weighted average common stock outstanding	4,918	5,058
Add common stock obtainable on conversion of convertible preferred stock, if the convertible preferred stock is dilutive		1,957
Weighted average common stock for diluted computation	4,918	7,015

	2003	2004
	(in Yen)	

Earnings (loss) per common share:		
Basic earnings (loss) per common share:		
Income (loss) available to common stockholders before cumulative effect of change in accounting principle and extraordinary gain	¥ (67,823)	¥ 115,227
Cumulative effect of change in accounting principle, net of taxes	(12,608)	(585)
Extraordinary gain, net of taxes	2,505	
Net income (loss) available to common stockholders	¥ (77,926)	¥ 114,642
Diluted earnings (loss) per common share:		
Income (loss) available to common stockholders before cumulative effect of change in accounting principle and extraordinary gain	¥ (67,823)	¥ 86,803
Cumulative effect of change in accounting principle, net of taxes	(12,608)	(421)
Extraordinary gain, net of taxes	2,505	
Net income (loss) available to common stockholders	¥ (77,926)	¥ 86,382

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For the fiscal year ended March 31, 2003, Class I to VII Preferred Stock could have potentially diluted earnings per common share but are not included in the computation of diluted earnings per common share due to their antidilutive effects. For the fiscal year ended March 31, 2004, Class I to V and VII Preferred Stock are included in the computation of diluted earnings per common share. Class VI Preferred Stock is not included in the computation of diluted earnings per common share due to its antidilutive effects.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The UFJ Group uses various derivative financial instruments both for trading purposes and for 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 exposure to a variety of risks. The UFJ 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.

Market risk is the possibility that future changes in market prices make a financial instrument 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 a contract, which may exceed the value of underlying collateral. To reduce credit risk, the UFJ Group may require collateral or guarantees based on a case-by-case assessment of creditworthiness of each customer and evaluation of the instrument. The UFJ Group also uses master netting agreements in order to mitigate overall counterparty credit risk.

Trading Activities

The UFJ 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 UFJ 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 UFJ Group also enters into other types of derivative transactions, including equity- and credit-related contracts, for its own account.

Risk Management Activities

In the normal course of business, the UFJ Group enters into derivatives, including interest rate and foreign exchange contracts to help its customers manage their risk exposures. The UFJ Group also uses derivative instruments for its own trading accounts and to manage its asset and liability exposures related to interest rate and foreign exchange risks.

The UFJ Group uses interest rate derivatives, including non-leveraged generic interest rate and basis swaps, options and futures, principally to manage exposures to fluctuations in fair value due to interest rate risk. Pay-fixed receive-variable interest rate swap contracts are used to convert fixed rate assets, principally loans and investment securities, into synthetic variable rate instruments. Receive-fixed pay-variable interest rate swaps contracts are used to convert fixed rate funding sources, principally deposit liabilities and debt, into synthetic variable rate funding instruments.

The UFJ Group uses exchange rate derivatives, including cross-currency swaps and forward exchange contracts, principally to manage exposures to fluctuations in fair value due to foreign exchange risks. Cross-currency interest rate swaps are contracts that generally involve the exchange of both interest and principal amounts in two different currencies to manage exposures to fluctuations in fair value due to foreign exchange risks.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivative instruments may expose the UFJ Group to market risk or credit risk in excess of the amounts recorded on the balance sheets. Market risk arises due to market price, interest rate and foreign exchange rate fluctuations that may result in a decrease in the market value of a financial instrument and/or an increase in its funding cost. Exposure to market risk is managed through position limits and other controls and by entering into hedging transactions. Credit risk is the possibility that losses may occur from counterparty s failure to perform according to the terms of the contract, when the value of collateral held, if any, is not adequate to cover such losses. Credit risk is controlled through credit approvals, limits and monitoring procedures based on the same credit policies used for on-balance-sheet instruments. Generally, collateral or other security is not required. The amount of collateral obtained, if any, is based on the nature of the financial instrument and management s credit evaluation of each counterparty.

Derivatives are 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, however the UFJ Group has not adopted hedge accounting for these derivatives. Accordingly, all derivatives used for risk management purposes are marked to market through the statement of operations.

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. The carrying amount is reported on the consolidated balance sheets with the host contract. The UFJ Group accounts for credit-linked notes as host contracts with embedded derivatives and measures the entire contracts at fair value.

21. OBLIGATIONS UNDER GUARANTEES AND OTHER OFF-BALANCE SHEET INSTRUMENTS

Obligations Under Guarantees

The UFJ 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 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 UFJ 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 credit risk exposure, the UFJ Group also enters into sub-participation contracts with third parties who will fund a portion of the credit facility and bear their 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 ¥28 billion and ¥18 billion, at March 31, 2003 and 2004, respectively, that are participated out to third parties. Contractual or notional amounts summarized in the following table may not necessarily bear a direct relationship to the future actual credit exposure, primarily because of these risk management techniques.

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At March 31, 2003	Maximum potential/ Contractual or Notional amount	Amount by expiration period				
		Less than 1 year	1-2 years	2-3 years	3-5 years	Over 5 years
		(in billions)				
Standby letters of credit and financial guarantees	¥ 1,479	¥ 422	¥ 252	¥ 144	¥ 79	¥ 582
Performance guarantees	515	382	47	62	21	3
Liquidity facilities	186	142	27		17	
Derivative instruments						
Guarantees for the repayment of trust principal	2,142	781	628	323	400	10
Liabilities of trust accounts	785	431	6	6	3	339
Total	¥ 5,107	¥ 2,158	¥ 960	¥ 535	¥ 520	¥ 934

At March 31, 2004	Maximum potential/ Contractual or Notional amount	Amount by expiration period				
		Less than 1 year	1-2 years	2-3 years	3-5 years	Over 5 years
		(in billions)				
Standby letters of credit and financial guarantees	¥ 1,388	¥ 605	¥ 236	¥ 240	¥ 22	¥ 285
Performance guarantees	268	168	57	27	14	2
Liquidity facilities	82	57			25	
Derivative instruments	14	1			13	
Guarantees for the repayment of trust principal	2,379	1,205	721	180	267	6
Liabilities of trust accounts	1,310	949	5	1	34	321
Total	¥ 5,441	¥ 2,985	¥ 1,019	¥ 448	¥ 375	¥ 614

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 UFJ Group is required to make payments to the guaranteed parties in the event that customers fail to fulfill their obligations under such contracts.

Performance guarantees are contracts that contingently require the UFJ 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 or service 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 the beneficiaries of asset securitizations from negative returns relating to shortfalls of cash collections on underlying assets held by the securitization vehicle. See Note 22 for additional information on the UFJ Group s operations regarding variable interest entities.

Derivative instruments that are deemed to be included within the definition of guarantees as prescribed in FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45), include certain written options and credit default swaps. In order for the UFJ Group to determine if those derivative instruments meet the definition of guarantees as prescribed in FIN 45, the

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

UFJ Group applies criteria of whether a derivative contract specifies an underlying in which adverse changes could result in losses on a counterparty s assets, liabilities or capital and the counterparty could cover those losses with proceeds from the derivative contract. Accordingly, the UFJ Group has disclosed information on such identified credit default swaps and certain written options that meet the definition of guarantees as prescribed in FIN 45.

Guarantees for the repayment of trust principal include guarantees that the UFJ 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 UFJ 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 UFJ Group, which keeps records for the trust activities separately. The UFJ Group, in principle, does not assume any risks associated with the trust assets under management, however, as permitted by applicable laws, the UFJ Group may provide 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 ¥2,142 billion and ¥2,379 billion, respectively. The accounting methods used for the segregated records of trust activities are different from financial accounting principles and practices. However, the UFJ Group follows an approach similar to those used for its own assets to identify an impairment of an asset included in 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 earnings during the trust accounting period. Write-downs of securities are also directly charged to trust account earnings. The amounts of trust assets written-off in the segregated records were ¥13,514 million and ¥10,868 million, for the fiscal years ended March 31, 2003 and 2004, respectively. These amounts of write-offs were reflected in the segregated records as deductions before net fees earned by trust accounts for the accounting period. In addition, part of trust account fees 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 in accordance with the related trust agreement. The amounts of such reserves set aside in the segregated records were ¥6,940 million and ¥4,805 million, at March 31, 2003 and 2004, respectively. The UFJ 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 UFJ Group will not incur any significant losses on the guarantees.

Liabilities of trust accounts represent the trustee s potential responsibility for temporary payments to creditors of trust accounts making use of funds of the UFJ Group, except for certain trust agreements that have provisions limiting the UFJ 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 ¥785 billion and ¥1,310 billion, respectively, in the segregated records of trust accounts including the amounts related to liabilities with provisions limiting trustee responsibility. Liabilities of trust accounts principally included obligations to return collateral under security lending transactions. The UFJ 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 generally covered by the corresponding trust account assets; the UFJ 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 UFJ Group claims its recourse for any temporary payments against the trust account assets and the beneficiaries.

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Carrying amount

At March 31, 2003 and 2004, the carrying amounts of the liabilities related to guarantees and similar instruments set forth above were ¥9,646 million and ¥35,238 million, respectively, which are included in Other liabilities and Trading account liabilities. In addition, Other liabilities also include an allowance for credit losses on off-balance sheet instruments of ¥66,733 million and ¥67,752 million at March 31, 2003 and 2004, respectively, related to these transactions.

Other Off-Balance Sheet Instruments

In addition to obligations under guarantees set forth above, the UFJ 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 UFJ Group provides to meet the financing needs of its customers. Once the UFJ Group issues these financial instruments, the UFJ 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 92% of these commitments will expire within one year, 7% from one year to five years and 1% after five years. The table below summarizes the contractual amounts of these commitments at March 31, 2003 and 2004.

	2003	2004
	(in billions)	
Commitments to extend credit	¥ 19,038	¥ 20,552
Commercial letters of credit	299	196
Reverse repurchase and repurchase agreements	176	24
Commitments to make investments	5	9

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 UFJ Group to avoid payments in the event of violations of any conditions of the contracts or certain deterioration of the potential borrowers financial condition.

Commercial letters of credit, used for facilitating trade transactions, are generally secured by underlying goods. The UFJ Group continually monitors the type and amount of collateral and other security, and requires counterparties to provide additional collateral or guarantees as necessary.

Reverse repurchase and repurchase transactions are collateralized financing agreements. In a sale of securities or other financial instruments with agreement to repurchase them, the UFJ 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 a predetermined price which reflects the principal amount and interest. In a purchase of securities or other financial instruments with an agreement to resell them, the UFJ Group receives securities or other financial instruments for a stated price from a counterparty and agrees to sell identified financial instrument to the same counterparty at a later date at a predetermined price reflecting the principal amount and interest. When certain conditions specified in SFAS No. 140 are met, the UFJ Group accounts for reverse repurchase agreements as purchase of financial instruments with related off-balance sheet forward reverse repurchase commitments and repurchase agreements as sale of financial instruments with related forward repurchase agreements. The UFJ Group bears risk related to the forward reverse repurchase and repurchase commitments, including credit risk and market risk and accounts for such commitments as derivative

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financial instruments. The UFJ Group accounts for reverse repurchase agreements as borrowings and retains the securities sold in the balance sheet, and accounts for reverse repurchase agreements as secured lending transactions.

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. Funds in which the UFJ Group has significant variable interest, are described in Note 22.

22. VARIABLE INTEREST ENTITIES

The table below is a summary of the carrying amounts and classification of consolidated assets that are legally segregated as collateral for obligations of variable interest entities that are consolidated prior to the adoption of FIN 46 under existing standards and guidance as well as variable interest entities that the UFJ Group became first involved with on or after February 1, 2003, which are consolidated under the requirements of FIN 46:

	March 31, 2004
	(in millions)
Cash	¥ 4,162
Investments	83,280
Loans	2,166,114
Other assets	871
Total	¥ 2,254,427

The investors in the variable interest entities that are consolidated by the UFJ Group have recourse only to the assets of the variable interest entities and have no recourse to the general credit of the UFJ Group.

Of the ¥2,254,427 million of total assets of variable interest entities consolidated at March 31, 2004, ¥647,285 million relates to sales and securitization of the UFJ Group s financial assets, ¥1,586,612 million relates to financing entities that purchase financial assets from or provide financing to UFJ Group s customers, and ¥20,530 million relate to transactions entered into for investment purposes.

The UFJ Group s assets sold to the variable interest entities include corporate loans, housing loans and privately placed corporate bonds. In addition to subordinated loans to these entities, the UFJ Group provides liquidity facilities to some of the entities.

The assets held by the financing entities, which are primarily asset-backed commercial paper conduits, include corporate loans, receivables under lease contracts and security deposits. The UFJ Group provides loans as well as liquidity facilities to the entities.

The UFJ Group administers conduits that purchase financial assets from UFJ Group s customers. Also, UFJ Group extends credits to certain entities that provide financing to UFJ Group s customers. These entities are typically funded by investments under partnership agreements from customers or by borrowings from the UFJ Group or third parties. In this type of arrangement, the owner of real estate properties receives financing from the entity that is secured by the property. The UFJ Group consolidates entities in which it participates in a majority of risks and rewards through the investment and financing.

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The entities created for investment purposes involve entities that invest in Japanese government bonds and other investment securities using loans from the UFJ Group, or credit-linked loans from the UFJ Group that are referenced to credit risks of certain borrowers.

In addition to the variable interest entities that are consolidated, the UFJ Group has significant interests in other variable interest entities that are not consolidated because the UFJ Group is not primary beneficiary, as discussed below.

The UFJ Group administers several third-party owned finance companies, primarily commercial paper conduits, that purchase financial assets including loans as well as pools of trade or lease receivables from its customers. Assets purchased by these conduits are generally funded by issuing commercial paper, or partly by borrowings from the UFJ Group or third parties. While customers generally continue to service the transferred receivables, the UFJ Group underwrites, distributes, makes a market in commercial paper issued by the conduits, and also provides liquidity and credit support facilities to the entities. The UFJ Group is not the primary beneficiary of these entities because it (together with its related parties) is not exposed to a majority of the expected losses due to the existence of third-party investments. At March 31, 2004, the total assets of these entities amounts to ¥13,559,240 million and the UFJ Group is exposed to a maximum loss of ¥48,822 million.

The UFJ 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. Since the equity holders do not have the substantive decision-making power and they do not have kick-out rights on the investment manager, these investment funds are variable interest entities. At March 31, 2004, these investment funds have total assets of ¥9,930,938 million and the UFJ Group is exposed to a maximum loss of ¥243,503 million.

The UFJ Group extends non-recourse asset-backed loans to special purpose entities, which hold beneficial interests in certain properties, to provide financing for the securitization of existing real estate properties held by the UFJ Group s customers and development projects including real estate development and natural resource development managed by third parties, who are typically the equity owner of the special purpose entities. The UFJ Group generally acts as a member of a lending group, and is not exposed to a majority of the expected losses of these entities. At March 31, 2004, these entities have total assets of ¥17,518,342 million and the UFJ Group is exposed to a maximum loss of ¥414,731 million.

In addition to the above entities, the UFJ Group offers a variety of trust products and manages and administers a wide range of trust arrangements through 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 UFJ Group manages and administers the assets on behalf of the customers in an agency, fiduciary and trust capacity. In principle, the UFJ Group does not assume risks associated with the entrusted assets, which are borne by the customers, although in limited cases the UFJ Group may assume risks through guarantees or certain protections as provided in the trust agreement.

Further, the UFJ Group extends credits, along with other financial institutions, to numerous financing entities that provide project financing or financing on an acquisition of an aircraft or large commercial vessel.

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The source of repayment by the entities is primarily the lease payments from the lessee. In this type of arrangement, the lessee generally assumes the risks and rewards of the entity. The UFJ Group extends loans based on the credit quality of the lessee, and does not participate in the economics of the assets being financed by the entities.

It is expected that the UFJ Group will consolidate additional variable interest entities upon adoption of FIN 46R from the period beginning April 1, 2004. The UFJ Group has concluded that certain borrowers of the UFJ Group are variable interest entities for which the UFJ Group is a primary beneficiary. At March 31, 2004, the total assets of such borrowers amount to ¥1,994,173 million, and the UFJ Group s maximum exposure to these entities is ¥516,045 million.

23. COMMITMENTS AND CONTINGENT LIABILITIES

The UFJ Group leases certain office space and equipment under noncancelable capital and operating leases expiring through fiscal year 2046.

Future minimum rental commitments for noncancelable capital and operating leases at March 31, 2004 are as follows:

	Capital leases	Operating leases
	(in millions)	
Fiscal year ending March 31:		
2005	¥ 9,619	¥ 3,876
2006	9,098	3,747
2007	7,110	2,951
2008	4,589	2,852
2009	2,577	2,620
2010 and thereafter	4,050	10,421
Total minimum lease payments	37,043	¥ 26,467
Amount representing interest	(3,012)	
Present value of minimum lease payments	¥ 34,031	

Total rental expense for the fiscal years ended March 31, 2003 and 2004 is ¥12,169 million and ¥12,813 million, respectively.

In 2002, UFJ Bank established UFJ Strategic Partner Co., Ltd. (UFJ Strategic Partner), a joint venture with Merrill Lynch to provide advisory services for formulating and implementing restructuring plans to UFJ Bank s small- and medium-sized clients and to advise them on problem loans. UFJ Strategic Partner is a subsidiary of UFJ Bank. UFJ Strategic Partner has issued ¥120 billion in non-voting preferred stock to Merrill Lynch. UFJ Bank currently holds all the common shares and all the voting rights of UFJ Strategic Partner.

Upon the occurrence of certain events, including the non-payment of dividends on the preferred stock for three consecutive fiscal years, specified insolvency and business suspension events of UFJ Bank or a change in control of UFJ Holdings, Merrill Lynch will be able to obtain control of UFJ Strategic Partner and could then terminate the venture. If Merrill Lynch chooses to exercise this option, UFJ Bank has the right to purchase the preferred stock at a premium based upon the loan portfolio held by UFJ Strategic Partner. The entering into and seeking of shareholders approval of the proposed merger agreement between UFJ Bank and the Bank of Tokyo- Mitsubishi constitutes such an event. At the present time, however, Merrill Lynch has not indicated whether it intends to exercise its rights.

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The UFJ Group is involved in various litigation matters. Management, based upon its current knowledge and results of consultation with counsel, makes an appropriate level of litigation reserve. Management believes that the amount of UFJ Group s liabilities when ultimately determined will not have a material adverse effect on the UFJ Group s results of operations, financial position and cash flows.

24. FEES AND COMMISSION INCOME

Details of fees and commissions income for the fiscal years ended March 31, 2003 and 2004 are as follows:

	2003	2004
	(in millions)	
Trust fees	¥ 56,289	¥ 50,115
Fees on funds transfer and service charges for collections	78,580	80,673
Fees and commissions on international business	35,173	39,093
Fees and commissions on credit card business	16,740	33,632
Service charges on deposits	35,488	37,838
Fees and commissions on securities business	48,503	70,267
Fees and commissions on stock transfer agency services	28,721	30,173
Other fees and commissions	82,466	103,926
Total	¥ 381,960	¥ 445,717

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, and royalty and other service charges from franchisees. Service charges on deposits are fees charged for deposits such as checking account deposits. Fees and commissions on securities business primarily consist of investment banking services, including underwriting, brokerage and advisory services, and arrangement fees on securitizations. Other fees and commissions include fees on guarantees and other miscellaneous fees.

25. BUSINESS SEGMENTS

The business segment information of UFJ Holdings and its subsidiaries, set forth below, is derived from the internal management reporting system used by management to measure performance of the business segments. Unlike financial accounting, there is no authoritative body of guidance for management accounting. The business segment information is based on 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 to the total amount of segments operating profits with income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain under US GAAP.

See Note 26 for financial information relating to the UFJ Group s operations by geographic area. The geographic financial information is consistent with the basis of accounting used in the accompanying consolidated financial statements.

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UFJ Holdings is organized into the following business segments:

- The Retail Banking business unit provides banking products and services of UFJ Bank to individual customers in Japan.
- The Corporate Banking business unit provides banking products and services of UFJ Bank to large corporations and small and medium-sized companies.
- The Global Banking and Trading business unit provides banking services of UFJ Bank to large Japanese corporations on their overseas operations as well as non-Japanese corporations who do business on a global basis and conducts trading operations with markets and customers.
- The UFJ Bank Planning and Administration business unit includes UFJ Bank s treasury services (asset and liability management, bond-related business) as well as the corporate advisory group and other indirect business of UFJ Bank.
- The UFJ Trust business unit provides all operations of UFJ Trust including retail and corporate banking, trust services, stock transfer agency services, real estate services, asset securitization services, asset management services and custody operations.
- The Other segment includes asset management services and the securities business which provides a broad range of retail and corporate securities services including retail brokerage, support for equity financing, securitization and mergers and acquisition advisory services.

The financial performance of UFJ Holdings major business units, 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 segment information on total assets is not available.

	Retail Banking	Corporate Banking	Global Banking & Trading	UFJ Bank Planning & Administration	UFJ Trust	Other	Total
				(in millions)			
Fiscal year ended March 31, 2003:							
Net revenue:							
Net interest income	¥ 250,786	¥ 341,771	¥ 29,744	¥ 62,080	¥ 82,349	¥	¥ 766,730
Net non-interest income	57,012	167,917	44,906	10,741	80,499		361,075
Other	(28,604)	(9,759)	105,039	158,629	20,265		245,570
Subsidiaries*	72,110	1,414	54,765		3,541	51,266	183,096
Total	351,304	501,343	234,454	231,450	186,654	51,266	1,556,471

Operating expenses	289,040	233,086	91,289	(110)	84,566	53,324	751,195
Operating profit (loss)	¥ 62,264	¥ 268,257	¥ 143,165	¥ 231,560	¥ 102,088	¥ (2,058)	¥ 805,276
Fiscal year ended March 31, 2004:							
Net revenue:							
Net interest income	¥ 247,267	¥ 276,027	¥ 16,505	¥ 98,815	¥ 72,824	¥	¥ 711,438
Net non-interest income	74,097	237,329	63,296	7,754	80,405		462,881
Other	(32,848)	1,158	104,895	85,458	10,141		168,804
Subsidiaries*	109,400	12,146	27,211		5,507	70,219	224,483
Total	397,916	526,660	211,907	192,027	168,877	70,219	1,567,606
Operating expenses	302,980	210,664	67,235	17,005	80,982	53,316	732,182
Operating profit	¥ 94,936	¥ 315,996	¥ 144,672	¥ 175,022	¥ 87,895	¥ 16,903	¥ 835,424

* Subsidiaries are UFJ Holdings subsidiaries and affiliates other than UFJ Bank and UFJ Trust.

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Management measures performance of each business unit by Operating profit . Operating profit is a defined term in regulatory reporting of UFJ Bank and UFJ Trust to the FSA. Operating profit under Japanese GAAP does not reflect items such as a part of provisions for credit losses (primarily an equivalent of formula allowance under US GAAP), foreign exchange gains (losses) and equity investment securities gains (losses).

Net revenue above includes net interest income, net non-interest income (fees and commissions received including trust fees, net of fees paid and other related expenses) and other, including net trading gains, net foreign exchange gains, net gains from sales of debt investment securities, insurance costs and funding cost 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 includes salaries and employee benefits, occupancy and certain other non-interest expenses.

In determining operating profit, UFJ Holdings does not assign to each business unit certain income and expense items such as provisions for loan loss reserve, equity investment securities gains or losses, goodwill impairment, net gains or losses from disposition of premises and equipment, and other non-interest income and expense items.

Reconciliation

As set forth above, the measurement bases and the income and expenses items covered under the internal management reporting system are very different from 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.

Reconciliation of the total amount of operating profit under the internal management reporting system for the fiscal years ended March 31, 2003 and 2004 to income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain shown in the consolidated statements of operations are as follows:

	2003	2004
	(in billions)	
Operating profit	¥ 805	¥ 835
Differences between internal management reporting and financial accounting regarding the scope of consolidation and other adjustments	72	86
Trust fees adjusted for credit losses of trust assets	(21)	(16)
Provision for loan losses	(508)	(335)
Trading derivative profits (losses) net	52	(70)
Equity investment securities gains (losses) net	(360)	418
Debt investment securities losses net	(19)	(58)

Land and building revaluation	(3)	3
Consolidation and deconsolidation of variable interest entities	(5)	(55)
Impairment and amortization of goodwill and intangible assets	(235)	(42)
Minority interest	(18)	(19)
Other net	(24)	(41)
Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain	¥ (264)	¥ 706

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. FOREIGN ACTIVITIES

Foreign operations include the business conducted by overseas offices and involve various transactions with debtors and customers residing outside Japan. Close integration of the UFJ 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 location of the subsidiary or branch in which the transaction is recorded.

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. The UFJ 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 UFJ Group s foreign operations.

The following table sets forth total assets at March 31, 2003 and 2004, and total revenue, total expenses, income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain and net income (loss) for the respective years then ended.

	Domestic	International			
	Japan	Americas*	Europe	Asia/Oceania excluding Japan	Total
			(in millions)		
Fiscal year ended March 31, 2003:					
Total revenue	¥ 1,418,620	¥ 119,323	¥ 98,601	¥ 94,920	¥ 1,731,464
Total expenses	1,754,039	90,615	85,271	65,913	1,995,838
Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain	(335,419)	28,708	13,330	29,007	(264,374)
Net income (loss)	(403,302)	28,832	12,756	23,906	(337,808)
Total assets at end of fiscal year	69,759,695	2,198,486	3,003,137	2,376,103	77,337,421
Fiscal year ended March 31, 2004:					
Total revenue	2,023,649	69,942	50,644	64,145	2,208,380
Total expenses	1,361,954	67,741	45,515	26,864	1,502,074
Income before income tax expense and cumulative effect of change in accounting principle	661,695	2,201	5,129	37,281	706,306
Net income	568,699	1,306	3,773	33,951	607,729
Total assets at end of fiscal year	74,668,315	1,823,493	2,363,273	1,784,650	80,639,731

* Americas primarily include the United States of America and Canada.

27. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices, when available, are used to estimate fair value of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments and, therefore, fair value for such financial instruments are estimated using discounted cash flow models or other valuation techniques. Although management uses its best judgment in estimating fair value of financial instruments, estimation

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methodologies and assumptions used to estimate fair value are inherently subjective. Accordingly, the estimates presented herein are not necessarily indicative of the values at which these instruments could be bought and sold. The use of different estimation methodologies and/or market assumptions may have a significant effect on the estimated fair value. The estimated fair value of financial instruments do not include valuations of related intangible assets such as core deposits.

The following table is a summary of carrying amounts and estimated fair value of financial instruments at March 31, 2003 and 2004.

	2003		2004	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(in billions)			
Financial assets:				
Cash and due from banks, interest-earning deposits in other banks, call loans and funds sold, and receivables under reverse repurchase agreements and securities borrowing transactions	¥ 8,177	¥ 8,179	¥ 7,733	¥ 7,734
Trading securities	3,092	3,092	3,401	3,401
Investment securities	17,198	17,198	20,400	20,400
Loans, net of allowance for loan losses	43,489	44,086	42,982	43,378
Other financial assets	380	380	677	677
Derivative financial instruments	823	823	854	854
Financial liabilities:				
Non-interest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	9,791	9,791	9,012	9,012
Interest-bearing deposits	52,069	52,071	54,144	54,121
Trading securities sold, not yet purchased	1,557	1,557	1,958	1,958
Obligations to return securities received as collateral	137	137	340	340
Due to trust account	1,250	1,250	1,754	1,754
Other short-term borrowings	5,598	5,598	5,028	5,028
Long-term debt	3,734	3,853	4,158	4,300
Other financial liabilities	508	508	548	548
Derivative financial instruments	651	651	712	712

The methodologies and assumptions used to estimate the fair value of the financial instruments are summarized below.

Cash, interest-earning deposits in other banks, call loans and funds sold, and receivables under reverse repurchase 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 value because of their short-term nature and limited credit risk. The fair value of interest-earning deposits in other banks maturing after a short period of time is estimated by discounting the estimated cash flows using the applicable current market rates. For

receivables under reverse repurchase agreements and securities borrowing transactions, the fair value is 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.

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Trading securities and securities sold, not yet purchased Trading securities and securities sold, not yet purchased are carried at fair value, which is principally based on quoted market prices, when available. If the quoted market prices are not available, fair value is based on quoted market prices of comparable instruments.

Investment securities The fair value of investment securities, where quoted market prices or secondary market prices are available, is equal to such market prices. For investment securities, when quoted market prices or secondary market prices are not available, the fair value is 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 (i.e. nonmarketable equity securities) are estimated based on the acquisition cost of the investments and adjusted for other-than-temporary impairment losses, if any.

Loans The fair value of loans is estimated for groups of loans with similar characteristics, including type of loan, credit quality and remaining maturity. In incorporating a credit risk factor, management concluded that the allowance for loan 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 value is considered to be a reasonable estimate of fair value. For fixed-rate loans, market prices are not generally available and the fair value is 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 value is available, primarily for loans to refinancing companies, loans held for disposition or sale and certain other foreign loans, the fair value is based on such market prices and estimated fair value, including secondary market prices. For nonperforming loans, the fair value is 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 value of other financial assets, which primarily includes accrued interest receivable, customers acceptance liabilities and accounts receivable, approximate their carrying amounts.

Derivative financial instruments The estimated fair value of derivative financial instruments is the amount the UFJ Group would receive or pay to terminate the contracts at the balance-sheet date, taking into account the current unrealized gain or loss on open contracts. The estimated fair value is 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 value 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 value of non-interest-bearing deposits is equal to the amount payable on demand. For call money and funds purchased, the carrying amount is a reasonable estimate of the fair value 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 value is 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 value of demand deposits, deposits at notice, and certificates of deposit maturing within a short period of time is the amounts payable on demand. Fair value of time deposits and certificates of deposit maturing after a short period of time is estimated by discounting the estimated cash flows using the rates currently offered for deposits of similar remaining maturities or the applicable current market rates.

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Due to trust account For due to trust account, which reflects a temporary placement of excess funds 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 the fact that this is short-term funding.

Other short-term borrowings For most other short-term borrowings, the carrying amount is a reasonable estimate of the fair value because of their short-term nature. For certain borrowings, fair value is estimated by discounting the estimated future cash flows using applicable current market interest rates or comparable rates for similar instruments, which represent the UFJ Group s cost to raise funds with a similar remaining maturity.

Long-term debt For bonds and certain subordinated debt, the fair value is estimated based on quoted market prices of the instruments. The fair value of other long-term debt is estimated using a discounted cash flow model based on rates applicable to the UFJ Group for debt with similar terms and remaining maturities.

Other financial liabilities The estimated fair value 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 amount. Effective January 1, 2003, the UFJ 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 value of obligations under standby letters of credit and guarantees are based on fees received or receivable by the UFJ Group.

The fair value of certain off-balance sheet financial instruments held for purposes other than trading, including commitments to extend credit and commercial letters of credit, is 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 at March 31, 2003 and 2004. These amounts have not been comprehensively revalued since that date and, therefore, current estimates of fair value may have changed significantly from the amounts presented herein.

28. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

During the year ended March 31, 2003, the UFJ Group acquired an additional 59.82% interest in UFJ Card. In addition, the UFJ Group acquired 34.36% of Tsubasa Securities in conjunction with the formation of UFJ Tsubasa Securities through an exchange of shares in former UFJ Capital Markets Securities Ltd., Inc. for shares of Tsubasa Securities. The assets acquired and liabilities assumed in these transactions are summarized below.

	(in millions)
Fair value of assets acquired	¥ 258,045
Fair value of liabilities assumed	210,443
Net assets acquired	47,602
Cash consideration paid for UFJ Card interest	13,313
Fair value of common shares issued and other consideration by Tsubasa Securities	21,970
Total consideration	35,283
Excess of net assets acquired over consideration	¥ 12,319

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The excess of net assets acquired over consideration was credited to the consolidated statement of operations as an extraordinary gain for the year ended March 31, 2003.

In addition, the UFJ Group converted loans amounting to ¥116,116 million to securities in debt-for-equity swap transactions during the year ended March 31, 2003.

The UFJ Group also contributed equity securities of ¥26,700 million and ¥116,697 million to pension trusts during the year ended March 31, 2003 and 2004, respectively (refer to Note 14).

29. SUBSEQUENT EVENTS

Planned Management Integration with Mitsubishi Tokyo Financial Group, Inc. (MTFG)

On May 21, 2004, UFJ Holdings, UFJ Trust, UFJ Bank and The Sumitomo Trust & Banking Co., Ltd. (Sumitomo Trust) entered into a basic agreement that UFJ Trust and Sumitomo Trust would integrate management and operate the UFJ Group s trust and custody businesses jointly. Under this agreement, the UFJ Group would have transferred all operations of UFJ Trust, except its corporate lending business, to Sumitomo Trust or to a new trust banking entity that Sumitomo Trust would have established.

On July 14, 2004, UFJ Holdings withdrew from the basic agreement with Sumitomo Trust dated May 21, 2004, and initiated discussions with MTFG on an integration of the two groups.

In response to the withdrawal from the basic agreement by UFJ Group, on July 27, 2004, Sumitomo Trust filed a complaint with the Tokyo District Court, which granted a preliminary injunction to restrain the UFJ Group from entering into discussions with any third party in breach of the basic agreement between the UFJ Group and Sumitomo Trust. On August 4, 2004, the Tokyo District Court approved its previous preliminary injunction ruling dated July 27, 2004 in favor of Sumitomo Trust preventing the UFJ Group from engaging in discussion with any third party involving the merger or sale of UFJ Trust.

However, on August 11, 2004, the Tokyo High Court overturned the Tokyo District Court s August 4, 2004 ruling. On August 30, 2004, the Supreme Court also rejected the complaint by Sumitomo Trust and allowed the appeal by the UFJ Group. With this decision, the UFJ Group resumed its integration negotiations with MTFG, including UFJ Trust.

On August 12, 2004, UFJ Holdings, MTFG, UFJ Bank, The Bank of Tokyo Mitsubishi, Ltd., UFJ Trust, The Mitsubishi Trust and Banking Corporation, UFJ Tsubasa and Mitsubishi Securities Co., Ltd. concluded a basic agreement regarding the integration of the holding companies, banks, trust banks and securities companies of the two groups. The integration is scheduled to be completed by October 1, 2005, subject to regulatory approval.

The UFJ Group has accelerated the aim of reducing its non-performing loan ratio and, as a result, these actions have incurred additional credit-related expenses on a Japanese GAAP basis. On September 10, 2004, UFJ Holdings, UFJ Bank and MTFG concluded an agreement regarding MTFG s cooperation in strengthening UFJ Group s capital, based on approvals from the respective boards of directors. Under the terms of this agreement, UFJ Bank issued ¥700 billion in preferred shares to MTFG. This capital strengthening is a part of the proposed management integration, as outlined in the basic agreement between the two groups.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On September 17, 2004, the capital injection from MTFG to UFJ Bank was completed, based on the agreement dated September 10, 2004.

Name of Newly Issued Shares:	Class E Preferred Shares of Series 1 of UFJ Bank
Number of Shares to be Issued:	3,500,000,000 shares
Issue Price:	¥200 per share
Aggregate Issue Price:	¥700 billion
Payment Date:	September 17, 2004
Date of the Effect of the Newly Issued Shares:	September 18, 2004

Right to Convert into Class F Preferred Shares:

The Class E Preferred Shares Series 1 shareholders will, on or after the day following the payment date, have the right to convert one Class E Preferred Share Series 1 into one Class F Preferred Share, which has voting rights at a meeting of shareholders. MTFG has agreed to not exercise the conversion right unless among other things, any of the Conversion Triggering Events, as defined in the Basic Agreement of Recapitalization dated September 10, 2004, occurs. Such Conversion Triggering Events include the commencement of a tender offer or if any person comes to own more than one-third of UFJ Holdings shares. If all of the Class E Preferred Share Series 1 were to be converted to Class F Preferred Share Series, the Class F Preferred Share Series holders would have 43.5% of the outstanding voting shares of UFJ Bank, based on UFJ Bank s issued and outstanding shares at September 30, 2004.

Management Integration of the MTFG Group and the UFJ Group

On February 18, 2005, MTFG, UFJ Holdings, BTM, UFJ Bank, MTBC, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities entered into an integration agreement, which sets forth various terms of the management integration, including the merger ratios, company names and other material terms. The merger ratios set forth in the integration agreement are as follows:

- Holding companies: 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock
- Banks: 0.62 shares of BTM common stock for each share of UFJ Bank common stock
- Trust banks: 0.62 shares of MTBC common stock for each share of UFJ Trust Bank common stock
- Securities companies: 0.42 shares of Mitsubishi Securities common stock for each share of UFJ Tsubasa Securities common stock

Merger of Mitsubishi Asset Management and UFJ Partners Asset Management

MTFG and UFJ Holdings, Inc. have been discussing the establishment of a system which will be capable of providing customers with higher quality asset management services following the merger. As part of these efforts, the asset management companies of the two groups, Mitsubishi Asset Management Co., Ltd., UFJ Partners Asset Management Co., Ltd., and other relevant parties entered into a Memorandum of Understanding Concerning Merger on December 24, 2004, and preparations and mutual consultations have commenced to prepare for the merger. Timing of merger is scheduled to be completed as soon as possible between October 1, 2005 and April 1, 2006. The relevant parties will engage in discussions concerning the name, capital contribution structure and personnel of the new asset management company.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

UFJ Strategic Partner Co., Ltd.

As disclosed under Note 23. Commitments and Contingent Liabilities, Merrill Lynch upon the occurrence of certain events, including a change in control of UFJ Holdings, will be able to obtain control of UFJ Strategic Partner and terminate the joint venture between UFJ Bank and Merrill Lynch. If Merrill Lynch chooses to exercise this option, UFJ Bank has the right to purchase the preferred stock at a premium based upon the loan portfolio held by UFJ Strategic Partner. The entering into and seeking of shareholders approval of the proposed merger of UFJ Bank and Bank of Tokyo-Mitsubishi will constitute such an event. On March 31, 2005, Merrill Lynch executed a waiver pursuant to which Merrill Lynch has agreed not to exercise such rights upon the merger of UFJ Bank with and into Bank of Tokyo-Mitsubishi.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2003 (Unaudited)	March 31, 2004	September 30, 2004 (Unaudited)
		(in millions)	
ASSETS			
Cash and due from banks	¥ 4,028,758	¥ 3,629,487	¥ 8,149,014
Interest-earning deposits in other banks	998,282	875,259	569,684
Call loans and funds sold	256,530	252,169	259,176
Receivables under reverse repurchase agreements	531,094	627,868	201,384
Receivables under securities borrowing transactions	2,942,545	2,348,412	3,244,318
Trading account assets at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,727,675 million at September 30, 2003, ¥1,060,276 million at March 31, 2004 and ¥1,279,614 million at September 30, 2004)	4,289,367	4,255,315	4,827,545
Investment securities (Note 2):			
Securities available for sale at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,408,965 million at September 30, 2003, ¥1,196,507 at March 31, 2004 and ¥1,210,154 million at September 30, 2004)	20,137,345	20,107,048	18,035,485
Other investment securities	268,010	293,295	275,943
Total investment securities	20,405,355	20,400,343	18,311,428
Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥347,789 million at September 30, 2003, ¥458,072 million at March 31, 2004 and ¥406,670 million at September 30, 2004) (Note 3)	44,941,851	45,420,052	43,928,238
Allowance for loan losses (Note 3)	(2,802,823)	(2,438,309)	(2,080,771)
Net loans	42,139,028	42,981,743	41,847,467
Premises and equipment	591,611	573,781	597,926
Accrued interest	77,983	79,934	69,586
Customers acceptance liabilities	27,909	31,486	30,358
Intangible assets	516,336	495,473	620,086
Goodwill	2,340,583	2,289,956	2,399,391
Deferred tax assets	40,572	63,319	56,284
Accounts receivable	298,412	565,278	634,689
Other assets	681,475	1,169,908	803,347
Total assets	¥ 80,165,840	¥ 80,639,731	¥ 82,621,683

See the accompanying notes to these Condensed Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2003 (Unaudited)	March 31, 2004	September 30, 2004 (Unaudited)
		(in millions)	
LIABILITIES AND STOCKHOLDERS EQUITY			
Deposits:			
Domestic offices:			
Non-interest-bearing	¥ 3,882,419	¥ 4,282,080	¥ 3,860,822
Interest-bearing	51,718,142	52,169,603	51,306,252
Overseas offices:			
Non-interest-bearing	114,822	111,965	125,450
Interest-bearing	1,576,340	1,974,287	2,214,226
Total deposits	57,291,723	58,537,935	57,506,750
Call money and funds purchased	2,365,559	2,204,080	1,226,230
Payables under repurchase agreements	1,187,345	649,938	943,557
Payables under securities lending transactions	2,582,256	1,764,098	2,380,652
Due to trust account	1,348,330	1,753,929	1,698,607
Other short-term borrowings	5,171,978	5,027,995	6,110,201
Trading account liabilities	2,460,841	2,669,957	2,647,808
Obligations to return securities received as collateral	161,000	339,747	195,478
Bank acceptances outstanding	27,909	31,486	30,358
Accrued interest	70,435	71,872	68,371
Accounts payable	1,130,763	444,698	635,590
Other liabilities (Note 5)	1,592,877	1,551,393	1,894,559
Long-term debt	3,960,897	4,157,758	5,775,359
Total liabilities	79,351,913	79,204,886	81,113,520
Commitments and contingent liabilities (Note 11)			
Stockholders equity:			
Capital stock:			
Preferred stock	757,018	737,806	732,224
Common stock authorized, 18,000,000 shares; issued, 5,043,369 shares at September 30, 2003, 5,093,408 shares at March 31, 2004 and 5,107,405 shares at September 30, 2004, with no stated value	242,982	262,194	267,776
Capital surplus	2,503,823	2,517,821	2,527,309
Accumulated deficit	(2,905,672)	(2,709,640)	(2,490,221)
Accumulated other changes in equity from nonowner sources, net of taxes	217,338	628,895	480,429
Total	815,489	1,437,076	1,517,517
Less treasury stock, at cost 3,952 common shares at September 30, 2003, 4,430 common shares at March 31, 2004 and 6,082 common shares at September 30, 2004	1,562	2,231	9,354
Total stockholders equity	813,927	1,434,845	1,508,163

Total liabilities and stockholders equity	¥ 80,165,840	¥ 80,639,731	¥ 82,621,683

See the accompanying notes to these Condensed Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six months ended September 30,	
	2003	2004
	(in millions)	
Interest income:		
Loans, including fees (Note 3)	¥ 424,453	¥ 483,857
Deposits in other banks	12,269	8,153
Investment securities:		
Interest	68,056	91,785
Dividends	10,044	10,821
Trading account assets	10,769	8,674
Call loans and funds sold	1,971	1,858
Receivables under reverse repurchase agreements and securities borrowing transactions	7,493	8,314
Total	535,055	613,462
Interest expense:		
Deposits	37,342	38,815
Call money and funds purchased	669	662
Payables under repurchase agreements and securities lending transactions	10,411	11,032
Due to trust accounts	2,685	3,909
Other short-term borrowings and trading account liabilities	14,892	16,535
Long-term debt	42,482	65,357
Total	108,481	136,310
Net interest income	426,574	477,152
Provision for loan losses (Note 3)	134,881	202,398
Net interest income after provision for loan losses	291,693	274,754
Non-interest income:		
Fees and commissions	207,156	297,036
Foreign exchange gains net	33,111	5,402
Trading account gains (losses) net	177,420	(65,469)
Investment securities gains net	199,579	250,735
Equity in earnings of affiliated companies	9,126	9,217
Other non-interest income	30,430	27,602
Total	656,822	524,523
Non-interest expense:		
Salaries and employee benefits	172,634	160,962
Occupancy expenses net	60,602	68,039
Fees and commission expense	24,989	29,905
Amortization of intangible assets	40,533	55,074
Insurance premiums, including deposit insurance	25,848	25,758
Minority interest in income of consolidated subsidiaries	9,457	3,754
Communications	4,798	4,684
Reversal of allowance for acceptances and off-balance sheet credit instruments	(14,223)	(9,733)

Losses on sales and disposal of premises and equipment	11,339	3,526
Other non-interest expenses	154,414	208,595
Total	490,391	550,564
Income before income tax expense and cumulative effect of change in accounting principle	458,124	248,713
Income tax expense	57,449	5,906
Income before cumulative effect of change in accounting principle	400,675	242,807
Cumulative effect of change in accounting principle, net of taxes (Notes 1 and 12)	(2,959)	2,942
Net income	397,716	245,749
Income allocable to preferred stockholders:		
Cash dividends paid	7,029	12,861
Beneficial conversion feature	6,818	13,469
Net income available to common stockholders	¥ 383,869	¥ 219,419
	(in Yen)	
Earnings per common share (Note 8):		
Basic earnings per common share income available to common stockholders before cumulative effect of change in accounting principle	¥ 76,830	¥ 42,528
Basic earnings per common share net income available to common stockholders	¥ 76,242	¥ 43,106
Diluted earnings per common share income available to common stockholders before cumulative effect of change in accounting principle	¥ 57,020	¥ 33,605
Diluted earnings per common share net income available to common stockholders	¥ 56,598	¥ 34,012

See the accompanying notes to these Condensed Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FROM NONOWNER SOURCES (Unaudited)

	Gains (losses), net of income taxes	
	Six months ended September 30,	
	2003	2004
	(in millions)	
Net income	¥ 397,716	¥ 245,749
Other changes in equity from nonowner sources:		
Net unrealized holding losses on investment securities available for sale	(100,145)	(14,316)
Reclassification adjustment for net (gains) losses included in net income	99,122	(137,930)
Total	(1,023)	(152,246)
Changes in minimum pension liability	42,836	92
Foreign currency translation adjustments	8,913	3,640
Reclassification adjustment for losses included in net income		48
Total	8,913	3,688
Total changes in equity from nonowner sources	¥ 448,442	¥ 97,283

See the accompanying notes to these Condensed Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)

	Six months ended September 30,	
	2003	2004
	(in millions)	
Preferred stock:		
Balance at beginning of period	¥ 759,102	¥ 737,806
Conversion of preferred stock to common stock	(2,084)	(5,582)
Balance at end of period	¥ 757,018	¥ 732,224
Common stock:		
Balance at beginning of period	¥ 240,898	¥ 262,194
Issuance of new shares of common stock by conversion of preferred stock	2,084	5,582
Balance at end of period	¥ 242,982	¥ 267,776
Capital surplus:		
Balance at beginning of period	¥ 2,496,999	¥ 2,517,821
Amortization of beneficial conversion feature of preferred stock	6,818	13,469
Gain on sale of treasury stock, net of taxes	6	9
Stock issuance cost		(3,990)
Balance at end of period	¥ 2,503,823	¥ 2,527,309
Accumulated deficit:		
Balance at beginning of period	¥ (3,289,541)	¥ (2,709,640)
Net income	397,716	245,749
Cash dividends paid on preferred stock	(7,029)	(12,861)
Amortization of beneficial conversion feature of preferred stock	(6,818)	(13,469)
Balance at end of period	¥ (2,905,672)	¥ (2,490,221)
Accumulated other changes in equity from nonowner sources, net of taxes:		
Balance at beginning of period	¥ 166,612	¥ 628,895
Net change during the period	50,726	(148,466)
Total balance at end of period	¥ 217,338	¥ 480,429
Treasury stock:		
Balance at beginning of period	¥ (1,914)	¥ (2,231)

Purchases of treasury stock	(129)	(377)
Sales of treasury stock	481	428
Net decrease resulting from issuance of treasury stock in exchange for remaining interest in subsidiary		(7,174)
Balance at end of period	¥ (1,562)	¥ (9,354)
Total stockholders equity	¥ 813,927	¥ 1,508,163

See the accompanying notes to these Condensed Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended September 30,	
	2003	2004
	(in millions)	
Cash flows from operating activities:		
Net income	¥ 397,716	¥ 245,749
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Cumulative effect of change in accounting principle, net of taxes	2,959	(2,942)
Depreciation and amortization	66,333	85,486
Provision for loan losses	134,881	202,398
Investment securities gains net	(199,579)	(250,735)
Foreign exchange losses (gains) net	137,244	(101,522)
Provision for deferred income tax expense (benefit)	53,738	(5,439)
Increase in trading account assets, including foreign exchange contracts	(355,029)	(541,432)
Increase (decrease) in trading account liabilities, including foreign exchange contracts	238,684	(48,248)
Decrease in accrued interest and other receivables	25,041	585,828
Decrease in accrued interest and other payables	(186,597)	(451,724)
Other net	40,656	75,715
Net cash provided by (used in) operating activities	356,047	(206,866)
Cash flows from investing activities:		
Proceeds from sales and maturities of investment securities available for sale	28,814,560	30,415,351
Purchases of investment securities available for sale	(31,134,245)	(27,962,790)
Proceeds from sales of other investment securities	1,749	8,165
Purchases of other investment securities	(161,100)	(4,579)
Net decrease in loans	1,227,786	2,373,005
Net decrease (increase) in interest-earning deposits in other banks	(28,136)	340,988
Net increase in call loans, funds sold, and receivables under reverse repurchase agreements and securities borrowing transactions	(234,237)	(444,445)
Other net	(13,581)	(776)
Net cash provided by (used in) investing activities	(1,527,204)	4,724,919
Cash flows from financing activities:		
Net increase (decrease) in deposits	1,141,497	(970,608)
Net increase (decrease) in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	381,847	(81,934)
Net increase (decrease) in due to trust accounts	155,761	(25,735)
Net increase (decrease) in other short-term borrowings	(451,285)	566,395
Proceeds from issuance of long-term debt	578,322	262,513
Repayment of long-term debt	(306,424)	(501,754)
Proceeds from preferred stock issued by subsidiaries		700,000
Dividends paid	(7,029)	(12,861)
Other net	(20,911)	(20,730)
Net cash provided by (used in) financing activities	1,471,778	(84,714)

Effect of exchange rate changes on cash and cash equivalents	(2,989)	12,252
Net increase in cash and cash equivalents	297,632	4,445,591
Cash and cash equivalents due to the initial consolidation of variable interest entities pursuant to the adoption of FIN 46R		73,936
Cash and cash equivalents at beginning of period	3,731,126	3,629,487
Cash and cash equivalents at end of period	¥ 4,028,758	¥ 8,149,014
Supplemental disclosure of cash flow information (Note 14):		
Cash paid during the period for:		
Interest	¥ 128,450	¥ 139,811
Income taxes, net of refunds	(1,635)	7,671

See the accompanying notes to these Condensed Consolidated Financial Statements.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited semi-annual condensed consolidated financial statements are stated in Japanese Yen, the currency of the country in which UFJ Holdings, Inc. (UFJ Holdings) is incorporated and principally operates. Such condensed consolidated financial statements include the accounts of UFJ Holdings and its subsidiaries (collectively, the UFJ Group) and reflect all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary for a fair presentation of amounts involved to conform with generally accepted accounting principles and prevailing practices within the banking industry in the United States of America (US GAAP). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2004. Certain information that would be included in annual financial statements but is not required for semi-annual reporting purposes under US GAAP has been omitted or condensed.

The presentation of condensed consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Accounting Changes

Accounting pronouncements adopted within the periods presented include:

Variable Interest Entities In December 2003, the FASB deliberated a partial deferral of and certain proposed modifications to FIN 46 to address certain implementation issues. The FASB incorporated all of the proposed modifications into Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46R). UFJ Group adopted FIN 46R for the interim reporting period ending September 30, 2004 with respect to the entities created before February 1, 2003. See Note 12 to UFJ Group s condensed consolidated financial statements for further discussion on the impact of the adoption of FIN 46R.

Accounting for Asset Retirement Obligations Effective April 1, 2003, the UFJ 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.

All of UFJ Group s existing asset retirement obligations are associated with commitments to return property subject to operating leases to its original condition upon lease termination. At April 1, 2003, the UFJ Group recorded a ¥19,768 million long-term asset retirement liability, which is included in Other liabilities, and a corresponding increase in leasehold improvements. This amount represents the present value of expected future cash flows associated with returning UFJ Group s leased properties to their original condition. The difference between the gross and present value of expected future cash flows is accreted over the life of the related leases as interest expense. Adoption of SFAS No. 143 resulted in a cumulative effect charge to net income at April 1, 2003 of ¥2,959 million. This adjustment represents the cumulative depreciation and accretion that would have been recognized through the date of adoption of SFAS No. 143 had the statement applied to UFJ Group s existing asset retirement obligations at the time they were initially incurred.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

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 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 UFJ Group s interim reporting period ending September 30, 2004. The adoption of SFAS No. 150 did not impact UFJ Group s clarification of liabilities and equities. 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.

2. INVESTMENT SECURITIES

The amortized costs and estimated fair values of available for sale investment securities at March 31, 2004 and September 30, 2004 are as follows:

	March 31, 2004			September 30, 2004		
	Amortized cost	Estimated fair value	Net unrealized gains	Amortized cost	Estimated fair value	Net unrealized gains
	(in millions)					
Debt securities, principally Japanese government bonds and corporate bonds	¥ 18,219,917	¥ 18,270,069	¥ 50,152	¥ 16,139,838	¥ 16,210,684	¥ 70,846
Marketable equity securities	1,158,726	1,836,979	678,253	1,314,382	1,824,801	510,419
Total securities available for sale	¥ 19,378,643	¥ 20,107,048	¥ 728,405	¥ 17,454,220	¥ 18,035,485	¥ 581,265

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans at March 31, 2004 and September 30, 2004 by domicile and type of industry of borrower are summarized below. Classification of loan by industry is based on the industry segment loan classifications as defined by The Bank of Japan.

	March 31, 2004	September 30, 2004
	(in millions)	
Domestic:		
Manufacturing	¥ 5,370,456	¥ 4,912,681
Construction	1,282,612	1,186,540
Real estate	4,580,942	4,437,190
Services	3,178,511	2,894,038
Wholesale and retail	5,500,396	4,969,319
Banks and other financial institutions	4,181,529	3,448,402
Other industries	5,830,848	5,054,980
Consumer:		
Mortgage loan	7,667,505	8,099,977
Credit card	146,278	922,161
Other industries	5,084,929	5,204,273
Total domestic	42,824,006	41,129,561
Foreign:		
Governments and official institutions	119,281	114,446
Banks and other financial institutions	131,831	217,737
Commercial and industrial	2,322,885	2,445,301
Other	33,675	26,450
Total foreign	2,607,672	2,803,934
Less unearned income and deferred loan fees net	11,626	5,257
Total	¥ 45,420,052	¥ 43,928,238

Loans are placed on non-accrual 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 UFJ Bank Limited (UFJ Bank) and UFJ Trust Bank Limited (UFJ Trust), and 90 days or more with respect to loans of certain foreign banking subsidiaries, except when the loans are in the process of collection based upon the judgment of management.

At September 30, 2004, an additional ¥1,489 billion of loans relate to the consolidation of Nippon Shinpan Co., Ltd., which is included mainly within Consumer Credit card and Other.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table is a summary of non-accrual loans, restructured loans and accruing loans past due 90 days or more at March 31, 2004 and September 30, 2004.

	March 31, 2004	September 30, 2004
	(in millions)	
Non-accrual loans	¥ 4,905,847	¥ 4,295,589
Restructured loans	159,226	80,656
Accruing loans contractually past due 90 days or more	19,794	24,068
Total	¥ 5,084,867	¥ 4,400,313

The UFJ Group s impaired loans (evaluated individually) primarily include non-accrual loans and restructured loans. At March 31, 2004 and September 30, 2004, impaired loans are ¥4,799,426 million and ¥4,169,934 million, respectively.

Changes in the allowance for loan losses for the six months ended September 30, 2003 and 2004 are as follows:

	Six months ended September 30,	
	2003	2004
	(in millions)	
Balance at beginning of period	¥ 3,195,187	¥ 2,438,309
Provision for loan losses	134,881	202,398
Charge-offs	(547,980)	(676,086)
Recoveries	20,990	35,621
Net charge-offs	(526,990)	(640,465)
Other changes *	(255)	80,529
Balance at end of period	¥ 2,802,823	¥ 2,080,771

* Other changes principally include the effects of foreign exchange translation. At September 30, 2004, an additional ¥80.2 billion of loan loss allowances relates to the first time consolidation of Nippon Shinpan.

4. PLEDGED ASSETS AND COLLATERAL

At September 30, 2004, non-cash assets pledged as collateral for call money, funds purchased, payables under repurchase agreements and securities lending transactions, other short-term borrowings, and long-term debt, and for certain other purposes are as follows:

	September 30, 2004
	(in millions)
Trading securities	¥ 1,280,802
Investment securities	5,546,006
Loans	3,952,218
Other	30,366
Total	¥ 10,809,392

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

In addition, at September 30, 2004, the UFJ Group has pledged non-cash financial assets aggregating ¥3,359,137 million 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. Such assets primarily include loans and securities. The securities pledged consist principally of Japanese national government and Japanese government agency bonds.

At September 30, 2004, the UFJ Group pledged assets with a fair value of ¥11,272,091 million as collateral that it has determined may not be sold or repledged by the secured parties.

5. CAPITAL INJECTION TO UFJ BANK

On September 17, 2004, UFJ Bank issued ¥700 billion in preferred shares to Mitsubishi Tokyo Financial Group, Inc. (MTFG). The terms of the issue are as follows:

Name of Newly Issued Shares:	Class E Preferred Shares of Series 1 of UFJ Bank
Number of Shares to be Issued:	3,500,000,000 shares
Issue Price:	¥200 per share
Aggregate Issue Price:	¥700 billion
Payment Date:	September 17, 2004
Date of the Effect of the Newly Issued Shares:	September 18, 2004

Right to Convert into Class F Preferred Shares:

The Class E Preferred Shares Series 1 shareholders will, on or after the day following the payment date, have the right to convert one Class E Preferred Share Series 1 into one Class F Preferred Share, which has voting rights at a meeting of shareholders. MTFG has agreed to not exercise the conversion right unless among other things, any of the Conversion Triggering Events, as defined in the Basic Agreement of Recapitalization dated September 10, 2004, occurs. Such Conversion Triggering Events include the commencement of a tender offer or if any person comes to own more than one-third of UFJ Holdings shares. If all of the Class E Preferred Share Series 1 were to be converted to Class F Preferred Share Series, the Class F Preferred Share Series holders would have 43.5% of the outstanding voting shares of UFJ Bank, based on UFJ Bank s issued and outstanding shares at September 30, 2004.

This amount is included within Other liabilities at September 30, 2004.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

6. SEVERANCE INDEMNITIES AND PENSION PLANS

The UFJ Group maintains various severance indemnities and defined pension plans for its employees. These plans generally provide benefits based on eligible compensation at the time of retirement, years of service and other factors. The net pension and severance cost of defined benefit plans for the six months ended September 30, 2003 and 2004 are as follows:

	Six months ended September 30,	
	2003	2004
	(in millions)	
Service cost benefits earned during the period	¥ 11,867	¥ 8,919
Interest costs on projected benefit obligation	9,497	12,224
Expected return on plan assets	(12,990)	(13,347)
Amortization of unrecognized prior service cost	(2,035)	(4,048)
Amortization of net actuarial loss	12,000	1,050
Net periodic benefit cost	¥ 18,339	¥ 4,798

UFJ Group expects to contribute approximately ¥33,800 million to the Japanese plans during the year ending March 31, 2005. In April 2004, UFJ Bank instituted a plan amendment to reduce benefit payments on the severance indemnity plan and the annuity plan. In June 2004, the trustee of the pension trusts approved a transfer of excess plan assets to UFJ Bank in the amount of ¥153,264 million comprising ¥144,983 million of equity securities and ¥8,281 million of cash.

7. REGULATORY CAPITAL REQUIREMENTS

UFJ Holdings, UFJ Bank and UFJ Trust and various other bank subsidiaries 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 UFJ Holdings consolidated financial statements.

The table below presents UFJ Holdings consolidated risk-based capital, risk-adjusted assets and risk-based capital ratios at March 31, 2004 and September 30, 2004. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from the financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) as required by the

Financial Services Agency of Japan (FSA).

	March 31, 2004	September 30, 2004	Minimum capital ratios required
		(in millions, except percentages)	
Capital components:			
Tier I capital	¥ 2,175,269	¥ 2,203,945	
Tier II capital	2,175,268	2,159,130	
Total risk-based capital	4,268,617	4,288,225	
Risk-weighted assets	46,185,990	43,207,718	
Capital ratios:			
Tier I capital	4.70%	5.10%	4.00%
Total risk-based capital	9.24	9.92	8.00

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The table below presents the consolidated and stand-alone risk-based capital ratios of UFJ Bank and UFJ Trust at March 31, 2004 and September 30, 2004. Underlying figures are calculated in accordance with Japanese banking regulations based on information derived from the financial statements prepared in accordance with Japanese GAAP as required by the FSA.

	March 31, 2004	September 30, 2004	Minimum capital ratios required
Consolidated capital ratios:			
UFJ Bank:			
Tier I capital	4.27%	5.12%	4.00%
Total risk-based capital	8.36	10.03	8.00
UFJ Trust:			
Tier I capital	8.78	7.05	2.00
Total risk-based capital	12.34	8.82	4.00
Stand-alone capital ratios:			
UFJ Bank:			
Tier I capital	4.39	5.40	4.00
Total risk-based capital	8.43	10.42	8.00
UFJ Trust:			
Tier I capital	9.44	7.74	2.00
Total risk-based capital	12.82	9.25	4.00

8. EARNINGS (LOSS) PER COMMON SHARE

Basic earnings per common share (EPS) excludes the dilutive effects of potential common stock and is computed by dividing net income available to common stockholders by the weighted average number of common stock outstanding for the period, while diluted EPS gives effect to all dilutive potential common stock that was outstanding for the period.

The weighted average number of shares used in the computations of basic EPS and diluted EPS were 5,035 thousand shares and 7,013 thousand shares, respectively, for the six months ended September 30, 2003, and 5,090 thousand shares and 7,225 thousand shares, respectively, for the six months ended September 30, 2004.

For the six months ended September 30, 2003, Class I to V and VII Preferred stock are included in the computation of diluted earnings per common share. Class VI Preferred stock is not included in the computation of diluted earnings per common share due to its antidilutive effects. For the six months ended September 30, 2004, Class I to VII Preferred stock are included in the computation of diluted earnings per common share.

The per share impact of the cumulative effect of change in accounting principle for basic earnings per common share for the six months ended September 30, 2003 and 2004 was ¥(588) and ¥578, respectively. The per share impact of the cumulative effect of change in accounting principle for diluted earnings per common share for the six months ended September 30, 2003 and 2004 was ¥(422) and ¥407, respectively.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

9. BENEFICIAL CONVERSION FEATURE

The change in the unamortized discount arising from the beneficial conversion feature of the Preferred stock during the six months ended September 30, 2003 is as follows:

	Class I	Class IV	Class V	Class VI	Total
			(in millions)		
Balance at March 31, 2003	¥ 528	¥ 82,495	¥	¥ 1,894	¥ 84,917
Amortization to accumulated deficit	(111)	(5,907)		(140)	(6,158)
Charged to accumulated deficit on conversion of Preferred stock	(8)			(652)	(660)
Balance at September 30, 2003	¥ 409	¥ 76,588	¥	¥ 1,102	¥ 78,099

The change in the unamortized discount arising from the beneficial conversion feature of the Preferred stock during the six months ended September 30, 2004 is as follows:

	Class I	Class IV	Class V	Class VI	Total
			(in millions)		
Balance at March 31, 2004	¥ 291	¥ 70,520	¥ 82,548	¥ 193	¥ 153,552
Amortization to accumulated deficit	(104)	(6,232)	(7,112)	(9)	(13,457)
Charged to accumulated deficit on conversion of Preferred stock	(12)				(12)
Balance at September 30, 2004	¥ 175	¥ 64,288	¥ 75,436	¥ 184	¥ 140,083

10. DERIVATIVE FINANCIAL INSTRUMENTS

The UFJ Group uses various derivative financial instruments, including interest rate swaps and foreign currency forward contracts, for trading, customer accommodation and risk management purposes. The UFJ Group s trading activities include dealing and customer accommodation

activities to meet the financial needs of its customers and related derivatives are measured at fair value with gains and losses recognized currently in earnings. The UFJ Group also accounts for derivatives held for risk management purpose as trading positions and measures them at fair value with gains (losses) recognized currently in earnings.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

11. OBLIGATIONS UNDER GUARANTEES AND OTHER OFF-BALANCE SHEET INSTRUMENTS

The UFJ Group provides customers with a variety of guarantees and similar arrangements as described in its consolidated financial statements. The table below presents the contractual or notional amounts of such guarantees at March 31, 2004 and September 30, 2004.

	March 31, 2004	September 30, 2004
	(in billions)	
Standby letters of credit and financial guarantees	¥ 1,388	¥ 4,325
Performance guarantees	268	289
Liquidity facilities	82	65
Derivative instruments	14	10
Guarantees for the repayment of trust principal	2,379	2,192
Liabilities of trust accounts	1,310	1,645
Total	¥ 5,441	¥ 8,526

In addition to obligations under guarantees and similar arrangements set forth above, the UFJ Group issues other off-balance sheet instruments to meet the financing needs of its customers and other purposes. The table below presents the contractual amounts with regard to such instruments at March 31, 2004 and September 30, 2004.

	March 31, 2004	September 30, 2004
	(in billions)	
Commitments to extend credit	¥ 20,552	¥ 25,987
Commercial letters of credit	196	262
Reverse repurchase and repurchase agreements	24	105
Commitments to make investments	9	21

The UFJ Group is involved in various litigation matters. Management, based upon its current knowledge and results of consultation with counsel, makes an appropriate level of litigation reserve. Management believes that the amount of UFJ Group s liabilities when ultimately determined will not have a material adverse effect on the UFJ Group s results of operations, financial position and cash flows.

In 2002, UFJ Bank established UFJ Strategic Partner Co., Ltd (UFJ Strategic Partner), a joint venture with Merrill Lynch to provide advisory services for formulating and implementing restructuring plans to UFJ Bank s small- and medium-sized clients and to advise them on their problem loans. UFJ Strategic Partner is a subsidiary of UFJ Bank. UFJ Strategic Partner has issued ¥120 billion in non-voting preferred stock to Merrill Lynch. UFJ Bank currently holds all the common shares and all the voting rights of UFJ Strategic Partner.

Upon the occurrence of certain events, including the non-payment of dividends on the preferred stock for three consecutive fiscal years, specified insolvency and business suspension events of UFJ Bank or a change in control of UFJ Holdings, Merrill Lynch will be able to obtain control of UFJ Strategic Partner and could then terminate the venture. If Merrill Lynch chooses to exercise this option, UFJ Bank has the right to purchase the preferred stock at a premium based upon the loan portfolio held by UFJ Strategic Partner. The entering into and seeking of shareholders approval of the proposed merger agreement between UFJ Bank and the Bank of Tokyo-Mitsubishi constitutes such an event. At the present time, however, Merrill Lynch has not indicated whether it intends to exercise its rights.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

12. VARIABLE INTEREST ENTITIES

The table below is a summary of the carrying amounts and classification of consolidated assets of variable interest entities that the UFJ Group consolidates under FIN 46R as well as the variable interest entities the UFJ Group continues to consolidate since the previous period:

	September 30, 2004
	(in millions)
Cash	¥ 52,627
Trading account assets	2,522
Investments	56,795
Loans	3,226,975
Premises and equipments	41,009
Other assets	261,530
Total	¥ 3,641,458

The investors in the variable interest entities that are consolidated by the UFJ Group have recourse only to the assets of the variable interest entities and have no recourse to the general credit of the UFJ Group.

Of the ¥3,641,458 million of total assets of variable interest entities consolidated at September 30, 2004, ¥559,027 million relates to the sales and securitization of the UFJ Group s financial assets, ¥1,259,753 million relates to the financing entities that purchase financial assets from or provide financing to the UFJ Group s customers, ¥15,195 million for an investment purpose and ¥1,807,483 million for certain borrowers of the UFJ Group.

The UFJ Group s assets sold to the variable interest entities include corporate loans, housing loans and privately placed corporate bonds. In addition to subordinated loans to these entities, the UFJ Group provides liquidity facilities to some of the entities.

The assets held by the financing entities, which are primarily asset-backed commercial paper conduits, include corporate loans, receivables under lease contracts and security deposits. The UFJ Group provides loans as well as liquidity facilities to these entities.

The UFJ Group administers conduits that purchase financial assets from the UFJ Group s customers. Also, UFJ Group extends credits to certain entities that provide financing to the UFJ Group s customers. These entities are typically funded by investments under partnership agreements from customers or by borrowings from the UFJ Group or third parties. In this type of arrangement, the owner of real estate properties receives financing from the entity that is secured by the property. The UFJ Group consolidates entities in which it participates in a majority of risks and rewards through the investment and financing.

The entities created for investment purposes involve entities that invest in Japanese government bonds and other investment securities using loans from the UFJ Group, or credit-linked loans from the UFJ Group that are referenced to credit risks of certain borrowers.

Upon adoption of FIN 46R, the UFJ Group concluded that certain borrowers are variable interest entities for which the UFJ Group is a primary beneficiary. The UFJ Group consolidated these borrowers for the first time beginning April 1, 2004 and recognized a cumulative effect of a change in accounting principle, net of income taxes, of ¥2,942 million. These entities include companies engaged in consumer financing and real estate business.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

In addition to the variable interest entities that are consolidated, the UFJ Group has significant interests in other variable interest entities that are not consolidated because the UFJ Group is not the primary beneficiary, as discussed below.

The UFJ Group administers several third-party owned finance companies, primarily commercial paper conduits, that purchase financial assets including loans as well as pools of trade or lease receivables from its customers. Assets purchased by these conduits are generally funded by issuing commercial paper, or partly by borrowings from the UFJ Group or third parties. While customers generally continue to service the transferred receivables, the UFJ Group underwrites, distributes, makes a market in commercial paper issued by the conduits, and also provides liquidity and credit support facilities to the entities. The UFJ Group is not the primary beneficiary of these entities because it (together with its related parties) is not exposed to a majority of the expected losses due to the existence of third-party investments. At September 30, 2004, the total assets of these entities amounts to ¥24,085,216 million and the UFJ Group is exposed to a maximum loss of ¥115,022 million.

The UFJ 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. Since the equity holders do not have the substantive decision-making power and they do not have kick-out rights on the investment manager, these investment funds are deemed as variable interest entities. At September 30, 2004, these investment funds have total assets of ¥14,705,153 million and the UFJ Group is exposed to a maximum loss of ¥495,732 million.

The UFJ Group extends non-recourse asset-backed loans to special purpose entities, which hold beneficial interests in certain properties, to provide financing for the securitization of existing real estate properties held by the UFJ Group s customers and development projects including real estate development and natural resource development managed by third parties, who are typically the equity owner of the special purpose entities. The UFJ Group generally acts as a member of a lending group, and is not exposed to a majority of the expected losses of these entities. At September 30, 2004, these entities have total assets of ¥18,166,794 million and the UFJ Group is exposed to a maximum loss of ¥494,270 million.

In addition to the above entities, the UFJ 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 UFJ Group manages and administers the assets on behalf of the customers in an agency, fiduciary and trust capacity. In principle, the UFJ Group does not assume risks associated with the entrusted assets, which are borne by the customers, although in limited cases the UFJ Group may assume risks through guarantees or certain protections as provided in the trust agreement. The UFJ Group, however, is not a primary beneficiary of these trusts because the majority of the risks and rewards belongs to the holders of beneficiary certificates, and the guarantees and protections are called upon only in limited circumstances.

Further, the UFJ Group extends credits to, along with other financial institutions, numerous financing entities that provide project finance or financing on an acquisition of an aircraft or large commercial vessel. The source of repayment by the entities is primarily the lease payments from the lessee. In this type of arrangement, the lessee generally assumes the risks and rewards of the entity, and the UFJ Group extends loans based on the credit quality of the lessee, as the UFJ Group does not participate in the economics of the assets being financed by the entity.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

At March 31, 2004, the UFJ Group had 11 wholly-owned financing vehicles that were formed to issue preferred securities to third-party investors. Prior to the adoption of FIN 46R, these financing vehicles have been consolidated as UFJ Holdings subsidiaries. Common stock and loans to the financial vehicles were eliminated in the consolidated balance sheet, and the preferred securities issued by the financing vehicles have been classified as minority interests. Upon adopting FIN 46R, UFJ Holdings deconsolidated the financing vehicles, and ¥1,242,485 million of senior and junior subordinated loans the UFJ Group issued to the financing vehicles are reflected as long-term debt in the consolidated balance sheets at September 30, 2004.

13. BUSINESS SEGMENTS

The business segment information of UFJ Holdings and its subsidiaries, set forth below, is derived from the internal management reporting system used by management to measure performance of the business segments. Unlike financial accounting, there is no authoritative body of guidance for management accounting. The business segment information is based on 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 condensed consolidated financial statements prepared on the basis of US GAAP. A reconciliation is provided to the segments operating profits with income (loss) before income tax expense and cumulative effect of change in accounting principle under US GAAP.

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 segment information on total assets is not available. Management measures the performance of each of UFJ Holdings business segments primarily by operating profit which is a defined term in the regulatory reporting to the FSA.

UFJ Holdings is organized into the following business segments:

- The Retail Banking business unit of UFJ Bank provides banking products and services to individual customers in Japan.
- The Corporate Banking business unit of UFJ Bank provides banking products and services to large corporations and small and medium-sized companies.
- The Global Banking and Trading business unit of UFJ Bank provides banking services to large Japanese corporations on their overseas operations as well as non-Japanese corporations who do business on a global basis and conducts trading operations with markets and customers.
- The UFJ Bank Planning and Administration business unit includes UFJ Bank s treasury services (asset and liability management, bond-related business) as well as the corporate advisory group and other indirect business of UFJ Bank.

- The UFJ Trust business unit provides all operations of UFJ Trust including retail and corporate banking, trust services, stock transfer agency services, real estate services, asset securitization services, asset management services and custody operations.

- The Other segment includes asset management services and the securities business which provides a broad range of retail and corporate securities services including retail brokerage, support for equity financing, securitization and mergers and acquisition advisory services.

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The financial performances of UFJ Holdings major business units, derived from the internal management reporting system, are summarized below.

	Retail Banking	Corporate Banking	Global Banking & Trading	UFJ Bank Planning & Administration	UFJ Trust	Other	Total
				(in millions)			
Six months ended September 30, 2003:							
Net revenue	¥ 189,678	¥ 256,032	¥ 103,646	¥ 153,368	¥ 82,297	¥ 32,081	¥ 817,102
Operating expenses	148,840	103,850	33,979	11,487	41,228	26,042	365,426
Operating profit	¥ 40,838	¥ 152,182	¥ 69,667	¥ 141,881	¥ 41,069	¥ 6,039	¥ 451,676
Six months ended September 30, 2004:							
Net revenue	¥ 199,534	¥ 272,136	¥ 90,650	¥ 98,686	¥ 76,293	¥ 36,084	¥773,383
Operating expenses	151,640	106,355	30,660	803	37,594	28,093	355,145
Operating profit	¥ 47,894	¥ 165,781	¥ 59,990	¥ 97,883	¥ 38,699	¥ 7,991	¥418,238

Reconciliation

As set forth above, the measurement bases and the income and expense items covered under the internal management reporting system are very different from the accompanying condensed consolidated statements of income. Therefore, it is impracticable to present reconciliations of the business segments total information, other than operating profit, to corresponding items in the accompanying condensed consolidated statements of income.

Reconciliation of the operating profit under the internal management reporting system for the six months ended September 30, 2003 and 2004 to income before income tax expense and cumulative effect of change in accounting principle shown on the condensed consolidated statements of operations are as follows:

	Six months ended September 30,	
	2003	2004

	(in billions)	
Operating profit	¥ 452	¥ 418
Differences between internal management reporting and financial accounting regarding the scope of consolidation and other adjustments	50	46
Trust fees adjusted for credit losses of trust assets	(10)	(2)
Provision for credit losses	(123)	(163)
Trading derivative losses net	(27)	(55)
Equity investment securities gains (losses) net	116	131
Debt investment securities gains net	55	(25)
Land and building revaluation		2
Consolidation and deconsolidation of variable interest entities	5	5
Impairment and amortization of goodwill and intangible assets	(21)	(24)
Minority interest	(9)	(11)
Other net	(30)	(73)
Income before income tax expense and cumulative effect of change in accounting principle	¥ 458	¥ 249

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UFJ HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Concluded)

14. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

The UFJ Group converted loans amounting to ¥747 million and ¥614 million to securities in debt-for-equity swap transactions during the six months ended September 30, 2003 and 2004, respectively.

In addition, the UFJ Group contributed equity securities amounting to ¥116,697 million to pension trusts during the six months ended September 30, 2003.

In June 2004, the trustee of pension trusts approved a transfer of excess plan assets to UFJ Bank amounting to ¥144,983 million (refer to Note 6).

15. SUBSEQUENT EVENTS

Management Integration of the MTFG Group and the UFJ Group

On February 18, 2005, MTFG, UFJ Holdings, BTM, UFJ Bank, MTBC, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities entered into an integration agreement, which sets forth various terms of the management integration, including the merger ratios, company names and other material terms. The merger ratios set forth in the integration agreement are as follows:

- Holding companies: 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock
- Banks: 0.62 shares of BTM common stock for each share of UFJ Bank common stock
- Trust banks: 0.62 shares of MTBC common stock for each share of UFJ Trust Bank common stock
- Securities companies: 0.42 shares of Mitsubishi Securities common stock for each share of UFJ Tsubasa Securities common stock

Merger of Mitsubishi Asset Management and UFJ Partners Asset Management

MTFG and UFJ Holdings, Inc. have been discussing the establishment of a system which will be capable of providing customers with higher quality asset management services following the merger. As part of these efforts, the asset management companies of the two groups, Mitsubishi Asset Management Co., Ltd., UFJ Partners Asset Management Co., Ltd., and other relevant parties entered into a Memorandum of Understanding Concerning Merger on December 24, 2004, and preparations and mutual consultations have commenced to prepare for the merger. Timing of merger is scheduled to be completed as soon as possible between October 1, 2005 and April 1, 2006. The relevant parties will engage in discussions concerning the name, capital contribution structure and personnel of the new asset management company.

UFJ Strategic Partner Co., Ltd.

As disclosed under Note 11. Obligations under Guarantees and Other Off-Balance Sheet Instruments, Merrill Lynch upon the occurrence of certain events, including a change in control of UFJ Holdings, will be able to obtain control of UFJ Strategic Partner and terminate the joint venture between UFJ Bank and Merrill Lynch. If Merrill Lynch chooses to exercise this option, UFJ Bank has the right to purchase the preferred stock at a premium based upon the loan portfolio held by UFJ Strategic Partner. The entering into and seeking of shareholders approval of the proposed merger of UFJ Bank and Bank of Tokyo-Mitsubishi will constitute such an event. On March 31, 2005, Merrill Lynch executed a waiver pursuant to which Merrill Lynch has agreed not to exercise such rights upon the merger of UFJ Bank with and into Bank of Tokyo-Mitsubishi.

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ANNEX A

ENGLISH TRANSLATION OF

INTEGRATION AGREEMENT, DATED FEBRUARY 18, 2005

AND AMENDMENT THERETO, DATED APRIL 20, 2005

Integration Agreement

This Integration Agreement (this Agreement) is made and entered into by and among Mitsubishi Tokyo Financial Group, Inc. (MTFG), The Bank of Tokyo-Mitsubishi Limited (BTM), The Mitsubishi Trust and Banking Corporation (Mitsubishi Trust) and Mitsubishi Securities Co., Ltd. (Mitsubishi Securities ; and together with MTFG, BTM and Mitsubishi Trust, collectively, the Mitsubishi Group Companies), and UFJ Holdings, Inc. (UFJ Holdings), UFJ Bank Limited (UFJ Bank), UFJ Trust Bank Limited (UFJ Trust) and UFJ Tsubasa Securities Co., Ltd. (UFJ Securities ; and together with UFJ Holdings, UFJ Bank and UFJ Trust, collectively, the UFJ Group Companies), with respect to the integration of the business operations of each of the Mitsubishi Group Companies and each of the UFJ Group Companies.

ARTICLE I. PURPOSE OF THIS AGREEMENT, ETC.

Section 1. (Purpose of This Agreement)

The purpose of this Agreement shall be to provide for the structure of the business integration of each of the Mitsubishi Group Companies and each of UFJ Group Companies, the merger ratios, the terms and conditions of the mergers and other related matters, under the terms and conditions set forth in this Agreement, with respect to the business integration of each of the Mitsubishi Group Companies and each of UFJ Group Companies (the Business Integration) as set forth in Sections 2, 10, 16 and 22 of the Basic Memorandum of Agreement (as defined below). The Business Integration contemplates:

(1) in the current environment where the needs of domestic and foreign customers are becoming more diversified and advanced, by virtue of the Business Integration, to create the world s leading comprehensive financial group which can succeed in global competition and provide customers with products and services at the highest level;

(2) by virtue of the Business Integration, to create a highly competitive group of companies and a presence in the field of major financial business such as banking, trust, securities, investment trust, credit cards, consumer financing and leasing, and dramatically strengthen its system to comprehensively and flexibility respond to all the needs of customers through close coordination among the group companies;

(3) by virtue of the Business Integration, to build on the strengths of both the financial group led by MTFG and the financial group led by UFJ Holdings, which highly complement each other in terms of business operations and branch office networks, by developing businesses in a well-balanced manner in the Tokyo metropolitan area, the Chubu area and the Kansai area in Japan,

and also having the largest global network among Japanese banks with a wide variety of customers from individuals to small and medium-sized companies to large corporations, and to further enrich the products and services and seek to return to customers and shareholders the benefit from the business integration, by pursuing the efficiency of group operations taken as a whole; and

(4) to integrate the financial group led by MTFG and the financial group led by UFJ Holdings with a sprit of equality, to create a corporate culture which, based on the principles of reliance and trust, enables employees to maximize their abilities, and to further reinforce and improve corporate governance systems, thereby contributing to the prosperity of customers, society and the economy as a truly reliable comprehensive financial group, while striving to increase shareholder value.

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Section 2. (Definitions)

In this Agreement, the following terms shall have the respective meanings indicated below:

(1) Merger Agreement Scheduled Execution Date means the last day of April 2005.

(2) Merger Between Banks means the merger to be conducted in accordance with Section 14.

(3) Merger Agreement Between Banks has the meaning set forth in Section 18.

(4) Material Adverse Effect means, with respect to the relevant party, (i) an effect which is material and adverse to the financial condition, results of operations, cash-flow, and/or business or future revenue plan, on a consolidated basis, or (ii) a material obstacle to the ability to timely perform any important obligation under this Agreement or the relevant Merger Agreement.

(5) Merger Between Securities Companies means the merger to be conducted in accordance with Section 34.

(6) Merger Agreement Between Securities Companies has the meaning set forth in Section 39.

(7) New Bank means BTM after the Merger Between Banks.

(8) New Securities Company means Mitsubishi Securities after the Merger Between Securities Companies.

(9) New Trust Bank means Mitsubishi Trust after the Merger Between Trust Banks.

(10) Merger Between Trust Banks means the merger to be conducted in accordance with Section 24.

(11) Merger Agreement Between Trust Banks has the meaning set forth in Section 28.

(12) New Holding Company means MTFG after the Merger Between Holding Companies.

(13) Damages, etc. has the meaning set forth in Section 58.

(14) Third Party Collaborations has the meaning set forth in Section 47(5).

(15) Third Party Collaboration Solicitations has the meaning set forth in Section 47(5).

(16) Merger Agreements means, collectively, the Merger Agreement Between Holding Companies, the Merger Agreement Between Banks, the Merger Agreement Between Trust Banks and the Merger Agreement Between Securities Companies.

(17) Mergers means, collectively, the Merger Between Holding Companies, the Merger Between Banks, the Merger Between Trust Banks and the Merger Between Securities Companies.

(18) Basic Memorandum of Agreement means the Basic Memorandum of Agreement dated August 12, 2004 by and among the parties hereto.

(19) Basic Agreement of Recapitalization means the Basic Agreement of Recapitalization dated September 10, 2004 by and among MTFG, UFJ Holdings and UFJ Bank.

(20) Merger Between Holding Companies means the merger to be conducted in accordance with Section 3.

(21) Merger Agreement Between Holding Companies has the meaning set forth in Section 8.

ARTICLE II. MERGER BETWEEN HOLDING COMPANIES

Section 3. (Merger Between Holding Companies)

UFJ Holdings shall merge with and into MTFG, with MTFG being the surviving company and UFJ Holdings being the dissolving company.

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Section 4. (Corporate Name)

4.1. The corporate name of the New Holding Company shall be Kabushiki Kaisha Mitsubishi UFJ Financial Group.

4.2. The English corporate name of the New Holding Company shall be Mitsubishi UFJ Financial Group, Inc.

Section 5. (Location of Head Office)

The New Holding Company shall have its head office at 2-7-1, Marunouchi, Chiyoda-ku.

Section 6. (Stock Exchanges)

The stock exchanges on which the common stock, or American Depository Receipts representing the common stock, of the New Holding Company shall be listed are the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, New York Stock Exchange and London Stock Exchange.

Section 7. (Officers)

The Chairman (*kaicho*), the Deputy Chairman (*fuku kaicho*) and the President (*shacho*) of the New Holding Company shall be Ryosuke Tamakoshi, Haruya Uehara and Nobuo Kuroyanagi, respectively.

Section 8. (Merger Agreement Between Holding Companies)

MTFG and UFJ Holdings shall enter into a merger agreement as prescribed in Article 408 of the Commercial Code of Japan in connection with the Merger Between Holding Companies (the Merger Agreement Between Holding Companies) following the execution of this Agreement and on or prior to the Merger Agreement Scheduled Execution Date. The provisions in this Agreement that are also required to be prescribed in the Merger Agreement Between Holding Companies shall be prescribed therein in accordance with the terms and conditions of this Agreement.

Section 9. (Date of the Merger and Shareholders Meetings to Approve the Merger)

9.1. The date of the Merger Between Holding Companies shall be October 1, 2005; *provided*, *however*, that MTFG and UFJ Holdings may change the date of such merger upon agreement through separate consultations between them, if they consider such change to be necessary for the purpose of effectuating the Mergers or other reasons.

9.2. Subject to the terms and conditions set forth in this Agreement, each of MTFG and UFJ Holdings shall convene their respective annual shareholders meeting (in the case of MTFG, its annual shareholders meeting will also be deemed as the class shareholders meeting of the ordinary shares) that are scheduled to be held in late June, 2005, and shall seek shareholder approval of the Merger Agreement Between Holding Companies and the resolutions required for the Merger Between Holding Companies.

9.3. Subject to the terms and conditions set forth in this Agreement, MTFG shall convene class shareholders meetings of the Class 1 preferred shares and Class 3 preferred shares, respectively, within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Holding Companies and the resolutions required for the Merger Between Holding Companies.

9.4. Subject to the terms and conditions set forth in this Agreement, UFJ Holdings shall convene class shareholders meetings of the ordinary shares, Series 1 of Class 1 preferred shares, Series 2 of Class 2 preferred shares, Series 4 of Class 4 preferred shares, Series 5 of Class 5 preferred shares, Series 6 of Class 6 preferred shares and Series 7 of Class 7 preferred shares, respectively, within the last ten days of June 2005, and shall seek shareholder approval of the Merger Agreement Between Holding Companies and the resolutions required for the Merger Between Holding Companies at each such meeting.

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Section 10. (Merger Ratio)

MTFG and UFJ Holdings agree with respect to the merger ratio of the Merger Between Holding Companies:

10.1. Upon the Merger Between Holding Companies, MTFG shall newly issue shares of common stock in a number equal to the product obtained by multiplying the (x) total number of shares of common stock of UFJ Holdings held by the shareholders (the term shareholder being hereinafter defined as including a beneficial shareholder) entered or recorded in the latest shareholder register (the term shareholder register being hereinafter defined as including a beneficial shareholder register) of UFJ Holdings as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Holdings at a rate of 0.62 shares of common stock of MTFG per share of common stock of UFJ Holdings.

10.2. Upon the Merger Between Holding Companies, MTFG shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 2 of Class 2 preferred shares of UFJ Holdings, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 2 of Class 2 preferred shares of UFJ Holdings held by the shareholders entered or recorded in the latest shareholder register of UFJ Holdings as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of Series 2 of Class 2 preferred stock of UFJ Holdings at a rate of 1 share of preferred stock to be issued pursuant to this Section 10.2 per share of the Series 2 of Class 2 preferred stock of UFJ Holdings.

10.3. Upon the Merger Between Holding Companies, MTFG shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 4 of Class 4 preferred shares of UFJ Holdings, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 4 of Class 4 preferred shares of UFJ Holdings held by the shareholders entered or recorded in the latest shareholder register of UFJ Holdings as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 4 of Class 4 preferred stock of UFJ Holdings at a rate of 1 share of preferred stock to be issued pursuant to this Section 10.3 per share of the Series 4 of Class 4 preferred stock of UFJ Holdings.

10.4. Upon the Merger Between Holding Companies, MTFG shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 5 of Class 5 preferred shares of UFJ Holdings, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 5 of Class 5 preferred shares of UFJ Holdings held by the shareholders entered or recorded in the latest shareholder register of UFJ Holdings as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 5 of Class 5 preferred stock of UFJ Holdings at a rate of 1 share of preferred stock to be issued pursuant to this Section 10.4 per share of the Series 5 of Class 5 preferred stock of UFJ Holdings.

10.5. Upon the Merger Between Holding Companies, MTFG shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 6 of Class 6 preferred shares of UFJ Holdings, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 6 of Class 6 preferred shares of UFJ Holdings held by the shareholders entered or recorded in the latest shareholder register of UFJ Holdings as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 6 of Class 6 preferred stock of UFJ Holdings at a rate of 1 share of preferred stock to be issued pursuant to this Section 10.5 per share of the Series 6 of Class 6 preferred stock of UFJ Holdings.

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10.6. Upon the Merger Between Holding Companies, MTFG shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 7 of Class 7 preferred shares of UFJ Holdings, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 7 of Class 7 preferred shares of UFJ Holdings held by the shareholders entered or recorded in the latest shareholder register of UFJ Holdings as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 7 of Class 7 preferred stock of UFJ Holdings at a rate of 1 share of preferred stock to be issued pursuant to this Section 10.6 per share of the Series 7 of Class 7 preferred stock of UFJ Holdings.

Section 11. (Merger-Related Cash Distributions)

MTFG shall make no payment of merger-related cash distributions upon the Merger Between Holding Companies.

Section 12. (Maximum Amount of Dividends)

12.1. MTFG may pay to the shareholders and registered pledgees entered or recorded in its latest shareholder register as of March 31, 2005 dividends in such amount as is separately agreed upon by MTFG and UFJ Holdings for each class of shares, subject to approval at the annual shareholders meeting to be held within the last ten days of June 2005.

12.2. The New Holding Company may pay to the shareholders and registered pledgees entered or recorded in the latest shareholder register as of September 30, 2005 interim dividends in such amount as is separately agreed upon between MTFG and UFJ Holdings for each class of shares.

Section 13. (Loss of Effect, Termination Events, Etc.)

13.1. The Merger Agreement Between Holding Companies shall cease to be effective if:

(1) the Merger Agreement Between Holding Companies is not approved at any of the shareholders meetings of either MTFG or UFJ Holdings in accordance with Sections 9.2 through 9.4 hereof; or

(2) the approvals, etc., of the relevant authorities that are required by the laws of Japan or relevant foreign countries are not obtained prior to the date of the merger, or such approvals, etc. are obtained subject to any condition or restriction that may result in a material obstacle to achieving the purposes of the Business Integration.

13.2. MTFG and UFJ Holdings shall determine, upon agreement through separate consultations between them, any other event of termination of the Merger Agreement Between Holding Companies and other related matters, in addition to those provided for in this Agreement.

ARTICLE III. MERGER BETWEEN BANKS

Section 14. (Merger Between Banks)

UFJ Bank shall merge with and into BTM, with BTM being the surviving company and UFJ Bank being the dissolving company.

Section 15. (Corporate Name)

15.1. The corporate name of the New Bank shall be Kabushiki Kaisha Mitsubishi Tokyo UFJ Bank.

15.2. The English corporate name of the New Bank shall be The Bank of Tokyo-Mitsubishi UFJ, Ltd.

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Section 16. (Location of Head Office)

The New Bank shall have its head office at 2-7-1, Marunouchi, Chiyoda-ku.

Section 17. (Officers)

The Chairman (*kaicho*), the Deputy Chairman (*fuku kaicho*) and the President (*todori*) of the New Bank shall be Shigemitsu Miki, Ryosuke Tamakoshi and Nobuo Kuroyanagi, respectively.

Section 18. (Merger Agreement Between Banks)

BTM and UFJ Bank shall enter into a merger agreement as prescribed in Article 408 of the Commercial Code of Japan in connection with the Merger Between Banks (the Merger Agreement Between Banks) following the execution of this Agreement and on or prior to the Merger Agreement Scheduled Execution Date. The provisions in this Agreement that are also required to be prescribed in the Merger Agreement Between Banks shall be prescribed therein in accordance with the terms and conditions of this Agreement.

Section 19. (Date of the Merger and Shareholders Meetings to Approve the Merger)

19.1. The date of the Merger Between Banks shall be October 1, 2005; *provided*, *however*, that MTFG, BTM, UFJ Holdings and UFJ Bank may change the date of such merger upon agreement through separate consultations among them, if they consider such change to be necessary for the purpose of effectuating the Mergers or other reasons.

19.2. Subject to the terms and conditions set forth in this Agreement, each of BTM and UFJ Bank shall convene their respective annual shareholders meeting (in the case of BTM, its annual shareholders meeting will also be deemed as the class shareholders meeting of the ordinary shares) within the last ten days of June 2005, and shall seek shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks. MTFG and UFJ Holdings shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Banks at such annual shareholders meetings.

19.3. Subject to the terms and conditions set forth in this Agreement, BTM shall convene class shareholders meeting of the preferred shares within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks. MTFG shall exercise its voting rights in favor of the resolution to approve the Merger Agreement Between Banks at such shareholders meeting.

19.4. Subject to the terms and conditions set forth in this Agreement, UFJ Bank shall convene class shareholders meetings of the ordinary shares, Series 1 of preferred shares, Series 1 of Class A preferred shares, Series 1 of Class D preferred shares, Series 2 of Class D preferred shares, Series 1 of Class E preferred shares, Series 1 of Class G preferred Shares and Series 2 of Class G preferred shares, respectively, within the last ten days of June 2005, and shall seek shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks at each such meeting. UFJ Holdings and MTFG shall exercise their respective voting rights in favor the resolution to approve the Merger Agreement Between Banks at such shareholders meetings.

Section 20. (Merger Ratio)

BTM and UFJ Bank agree with respect to the merger ratio of the Merger Between Banks:

20.1. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying the (x) total number of shares of common stock of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately

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preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Bank at a rate of 0.62 shares of common stock of BTM per share of common stock of UFJ Bank.

20.2. Upon the Merger Between Banks, BTM shall newly issue share of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class A preferred shares of UFJ Bank, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 1 of Class A preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of Series 1 of Class A preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.2 per share of the Series 1 of Class A preferred stock of UFJ Bank.

20.3. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class D preferred shares of UFJ Bank, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 1 of Class D preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class D preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.3 per share of the Series 1 of Class D preferred stock of UFJ Bank.

20.4. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 2 of Class D preferred shares of UFJ Bank, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 2 of Class D preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 2 of Class D preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.4 per share of the Series 2 of Class D preferred stock of UFJ Bank.

20.5. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class E preferred shares of UFJ Bank) in a number equal to the total number of the Series 1 of Class E preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class E preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.5 per share of the Series 1 of Class E preferred stock of UFJ Bank.

20.6. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class G preferred shares of UFJ Bank) in a number equal to the total number of the Series 1 of Class G preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class G preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.6 per share of the Series 1 of Class G preferred stock of UFJ Bank.

20.7. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 2 of Class G preferred shares of UFJ Bank) in a number equal to the total number of the Series 2 of Class G preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 2 of Class G preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.7 per share of the Series 2 of Class G preferred stock of UFJ Bank.

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Section 21. (Merger Related Cash Distributions)

BTM shall make no payment of merger-related cash distributions upon the Merger Between Banks.

Section 22. (Maximum Amount of Dividends)

22.1. BTM may pay to the shareholders and registered pledgees entered or recorded in its latest shareholder register as of March 31, 2005 dividends in such amount as is separately agreed upon by BTM and UFJ Bank for each class of shares, subject to approval at the annual shareholders meeting to be held within the last ten days of June 2005.

22.2. The New Bank may pay to the shareholders and registered pledgees entered or recorded in the latest shareholder register as of September 30, 2005 interim dividends in such amount as separately agreed upon between BTM and UFJ Bank, for each class of shares.

Section 23. (Loss of Effect, Termination Events, Etc.)

23.1. The Merger Agreement Between Banks shall cease to be effective if:

(1) the Merger Agreement Between Banks is not approved at any of the shareholders meeting of either BTM or UFJ Bank in accordance with Sections 19.2 through 19.4 hereof;

(2) the Merger Agreement Between Holding Companies ceases to be effective for any reason; or

(3) the approvals, etc., of the relevant authorities that are required by the laws of Japan or relevant foreign countries are not obtained prior to the date of the merger, or such approvals, etc. are obtained subject to any condition or restriction that may result in a material obstacle to achieving the purposes of the Business Integration.

23.2. MTFG, BTM, UFJ Holdings and UFJ Bank shall determine, upon agreement through separate consultations among them, any other event of termination of the Merger Agreement Between Banks and other related matters, in addition to those provided for in this Agreement.

ARTICLE IV. MERGER BETWEEN TRUST BANKS

Section 24. (Merger Between Trust Banks)

UFJ Trust shall merge with and into Mitsubishi Trust, with Mitsubishi Trust being the surviving company and UFJ Trust being the dissolving company.

Section 25. (Corporate Name)

25.1. The corporate name of the New Trust Bank shall be Mitsubishi UFJ Trust Bank Kabushiki Kaisha.

25.2. The English corporate name of the New Trust Bank shall be Mitsubishi UFJ Trust and Banking Corporation.

Section 26. (Location of Head Office)

The New Trust Bank shall have its head office at 1-4-5, Marunouchi, Chiyoda-ku.

Section 27. (Officers)

The Chairman (*kaicho*) and the President (*shacho*) of the New Trust Bank shall be Akio Utsumi and Haruya Uehara, respectively.

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Section 28. (Merger Agreement Between Trust Banks)

Mitsubishi Trust and UFJ Trust shall enter into a merger agreement as prescribed in Article 408 of the Commercial Code of Japan in connection with the Merger Between Trust Banks (the Merger Agreement Between Trust Banks) following the execution of this Agreement and on or prior to the Merger Agreement Scheduled Execution Date. The provisions in this Agreement that are also required to be prescribed in the Merger Agreement Between Trust Banks shall be prescribed therein in accordance with the terms and conditions of this Agreement.

Section 29. (Date of the Merger and Shareholders Meetings to Approve the Merger)

29.1. The date of the Merger Between Trust Banks shall be October 1, 2005; *provided, however*, that the MTFG, Mitsubishi Trust, UFJ Holdings and UFJ Trust may change the date of such merger upon agreement through separate consultations among them, if they consider such change to be necessary for the purpose of effectuating the Mergers or other reasons.

29.2. Subject to the terms and conditions set forth in this Agreement, each of Mitsubishi Trust and UFJ Trust shall convene their respective annual shareholders meeting (in the case of Mitsubishi Trust, its annual shareholders meeting will also be deemed as the class shareholders meeting of the ordinary shares) within the last ten days of June 2005, and shall seek shareholder approval of the Merger Agreement Between Trust Banks and the resolutions required for the Merger Between Trust Banks. MTFG and UFJ Holdings shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Trust Banks at such annual shareholders meetings.

29.3. Subject to the terms and conditions set forth in this Agreement, UFJ Trust shall convene class shareholders meetings of the ordinary shares, Series 1 of Class 1 preferred shares and Series 2 of Class 1 preferred shares, respectively, within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Trust Banks and the resolutions required for the Merger Between Trust Banks. UFJ Holdings shall exercise its voting rights in favor of the resolution to approve the Merger Agreement Between Trust Banks at such shareholders meetings.

Section 30. (Merger Ratio)

Mitsubishi Trust and UFJ Trust agree with respect to the merger ratio of the Merger Between Trust Banks:

30.1. Upon the Merger Between Trust Banks, Mitsubishi Trust shall newly issue shares of common stock in a number equal to the product obtained by multiplying the (x) total number of shares of common stock of UFJ Trust held by the shareholders entered or recorded in the latest shareholder register of UFJ Trust as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Trust at a rate of 0.62 shares of common stock of Mitsubishi Trust per share of common stock of UFJ Trust.

30.2. Upon the Merger Between Trust Banks, Mitsubishi Trust shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class 1 preferred shares of UFJ Trust, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 1 of Class 1 preferred shares of UFJ Trust held by the shareholders entered or recorded in the latest shareholder register of UFJ Trust as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class 1 preferred stock of UFJ Trust at a rate of 1 share of preferred stock to be issued pursuant

to this Section 30.2 per share of the Series 1 of Class 1 preferred stock of UFJ Trust.

30.3. Upon the Merger Between Trust Banks, Mitsubishi Trust shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 2 of Class 1 preferred shares of UFJ

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Trust, except for any modifications required to adjust the conversion price in accordance with the merger ratio) in a number equal to the total number of the Series 2 of Class 1 preferred shares of UFJ Trust held by the shareholders entered or recorded in the latest shareholder register of UFJ Trust as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 2 of Class 1 preferred stock of UFJ Trust at a rate of 1 share of preferred stock to be issued pursuant to this Section 30.3 per share of the Series 2 of Class 1 preferred stock of UFJ Trust.

Section 31. (Merger-Related Cash Distributions)

Mitsubishi Trust shall make no payment of merger-related cash distributions upon the Merger Between Trust Banks.

Section 32. (Maximum Amount of Dividends)

32.1. Mitsubishi Trust may pay to the shareholders and registered pledgees entered or recorded in its latest shareholder register as of March 31, 2005 dividends in such amount as is separately agreed upon by Mitsubishi Trust and UFJ Trust for each class of shares, subject to approval at the annual shareholders meeting to be held within the last ten days of June 2005.

32.2. The New Trust Bank may pay to the shareholders and registered pledgees entered or recorded in the latest shareholder register as of September 30, 2005 interim dividends in such amount as is separately agreed upon between Mitsubishi Trust and UFJ Trust for each class of shares.

Section 33. (Loss of Effect, Termination Events, Etc.)

33.1. The Merger Agreement Between Trust Banks shall cease to be effective if:

(1) the Merger Agreement Between Trust Banks is not approved at any of the shareholders meeting of either Mitsubishi Trust or UFJ Trust in accordance with Sections 29.2 and 29.3 herein;

(2) the Merger Agreement Between Holding Companies ceases to be effective for any reason; or

(3) the approvals, etc., of the relevant authorities that are required by the laws of Japan or relevant foreign countries are not obtained prior to the date of the merger, or such approvals, etc. are obtained subject to any condition or restriction that may result in a material obstacle to achieving the purposes of the Business Integration.

33.2. MTFG, Mitsubishi Trust, UFJ Holdings and UFJ Trust shall determine, upon agreement through separate consultations among them, any other event of termination of the Merger Agreement Between Trust Banks and other related matters, in addition to those provided for in this Agreement.

ARTICLE V. MERGER BETWEEN SECURITIES COMPANIES

Section 34. (Merger Between Securities Companies)

UFJ Securities shall merge with and into Mitsubishi Securities, with Mitsubishi Securities being the surviving company and UFJ Securities being the dissolving company. The New Securities Company shall be a subsidiary directly owned by the New Holding Company.

Section 35. (Corporate Name)

35.1. The corporate name of the New Securities Company shall be Mitsubishi UFJ Securities Kabushiki Kaisha.

35.2. The English corporate name of the New Securities Company shall be Mitsubishi UFJ Securities Co., Ltd.

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Section 36. (Location of Head Office)

The New Securities Company shall have its head office at 2-4-1, Marunouchi, Chiyoda-ku.

Section 37. (Stock Exchanges)

The stock exchanges on which the common stock of the New Securities Company shall be listed are the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange.

Section 38. (Officers)

The Chairman (kaicho), the Deputy Chairman (*fuku kaicho*) and the President (*shacho*) of the New Securities shall be Yasumasa Gomi, Koichi Kane and Kimisuke Fujimoto, respectively.

Section 39. (Merger Agreement Between Securities Companies)

Mitsubishi Securities and UFJ Securities shall enter into a merger agreement as prescribed in Article 408 of the Commercial Code of Japan in connection with the Merger Between Securities Companies (the Merger Agreement Between Securities Companies) following the execution of this Agreement and on or prior to the Merger Agreement Scheduled Execution Date. The provisions in this Agreement that are also required to be prescribed in the Merger Agreement Between Securities Companies shall be prescribed therein in accordance with the terms and conditions of this Agreement.

Section 40. (Date of the Merger and Shareholders Meetings to Approve the Merger)

40.1. The date of the Merger Between Securities Companies shall be October 1, 2005; *provided*, *however*, that Mitsubishi Securities and UFJ Securities may change the date of such merger upon agreement through separate consultations between them, if they consider such change to be necessary for the purpose of effectuating the Mergers or other reasons.

40.2. Subject to the terms and conditions set forth in this Agreement, each of Mitsubishi Securities and UFJ Securities shall convene their respective annual shareholders meeting within the last ten days of June 2005, and shall seek the approval of the Merger Agreement Between Securities Companies and the resolutions required for the Merger Between Securities Companies. BTM, Mitsubishi Trust and UFJ Holdings shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Securities Companies at such annual shareholders meetings.

Section 41. (Merger Ratio)

Mitsubishi Securities and UFJ Securities agree with respect to the merger ratio of the Merger Between Securities Companies, upon the Merger Between Securities Companies, that Mitsubishi Securities shall newly issue shares of common stock in a number equal to the product obtained by multiplying the (x) total number of shares of common stock of UFJ Securities held by the shareholders entered or recorded in the latest shareholder register of UFJ Securities as of the day immediately preceding the date of the merger by (y) 0.42, and allot and deliver such newly issued shares to the shareholders of common stock entered or recorded in the latest shareholder register of UFJ Securities as of the day immediately preceding the date of the merger at a rate of 0.42 shares of common stock of Mitsubishi Securities per share of common stock of UFJ Securities.

Section 42. (Merger-Related Cash Distributions)

Mitsubishi Securities shall make no payment of merger-related cash distributions upon the Merger Between Securities Companies.

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Section 43. (Maximum Amount of Dividends and Treatment of Subscription Warrants)

43.1. Each of Mitsubishi Securities and UFJ Securities may pay to the shareholders and registered pledgees entered or recorded in its latest shareholder register as of March 31, 2005 dividends in such amount as is separately agreed upon by Mitsubishi Securities and UFJ Securities, subject to approval at its respective annual shareholders meeting to be held within the last ten days of June 2005.

43.2. Mitsubishi Securities and UFJ Securities shall determine, upon agreement through separate consultations between them, the manner in which to treat the outstanding stock subscription rights (*shinkabu hikiuke-ken*) of UFJ Securities, including, but not limited to, the manner in which to treat such stock subscription rights through issuance of stock acquisition rights (*shinkabu yoyaku-ken*) of Mitsubishi Securities, UFJ Securities, or the New Securities Company.

Section 44. (Loss of Effect, Termination Event, Etc.)

44.1. The Merger Agreement Between Securities Companies shall cease to be effective if:

(1) the Merger Agreement Between Securities Companies is not approved at the shareholders meeting of either Mitsubishi Securities or UFJ Securities in accordance with Section 40.2;

(2) the Merger Agreement Between Holding Companies ceases to be effective for any reason; or

(3) the approvals, etc., of the relevant authorities that are required by the laws of Japan or relevant foreign countries are not obtained prior to the date of the merger, or such approvals, etc. are obtained subject to any condition or restriction that may result in a material obstacle to achieving the purposes of the Business Integration.

44.2. Mitsubishi Securities and UFJ Securities shall determine, upon agreement through separate consultations between them, any other event of termination of the Merger Agreement Between Securities Companies and other related matters, in addition to those provided for in this Agreement.

ARTICLE VI. MATERIAL ADVERSE EFFECT

Section 45. (Occurrence of a Material Adverse Effect)

The Mitsubishi Group Companies and the UFJ Group Companies shall, upon the occurrence of a Material Adverse Effect on or after the execution date hereof, use their best efforts to a reasonable extent and hold mutual consultations in good faith with respect to the terms and conditions of the Mergers.

ARTICLE VII. COVENANTS

Section 46. (Management of Assets and Prior Consultations)

Each party shall operate its respective business and administer and manage its respective assets with the due care of a prudent custodian (*zenryonaru-kanrisha-no-chui)* during the effective term of this Agreement, and any act that might have a Material Adverse Effect on its respective financial condition, results of operations, cash flow or business (including any issuance of new shares and stock acquisition rights, any dividends, any acquisition of treasury stock or any other acts which might affect the merger ratio except as contemplated herein, but excluding any measures intended to facilitate Mitsubishi Securities becoming a directly owned subsidiary of MTFG and the delivery by either Mitsubishi Securities or UFJ Securities of its treasury shares upon the exercise of stock subscription rights (*shinkabu hikiuke-ken*) or stock acquisition rights (*shinkabu yoyaku-ken*))shall be subject to mutual consultations between MTFG, UFJ Holdings and the relevant merging parties and to a prior agreement among MTFG, UFJ Holdings and such parties (or, in the case of the Merger Between Securities Companies, a prior agreement solely between Mitsubishi Securities and UFJ Securities).

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Section 47. (Measures In Furtherance of the Mergers)

Each of the parties hereof shall, during the effective term of this Agreement and except as otherwise provided for herein, take the following measures in furtherance of the Mergers:

(1) In addition to performing the following obligations set forth in Sections 47.(1)(a) and 47.(1)(b) at the general meeting of shareholders and the class shareholders meeting of any class of shares concerning the approval of the Merger Agreements, use its best efforts to a reasonable extent to obtain the approval from its shareholders and holders of any class of shares:

(a) Actively seek the shareholders exercise of their voting rights in favor of the proposal for approval of the Merger Agreements; and

(b) Provide instructions that voting cards submitted in blank concerning the proposal for approval of the Merger Agreements shall be deemed votes in favor of such proposal;

(2) Use its best efforts to a reasonable extent in filing with, and obtaining approvals from, domestic (Japanese) and foreign regulatory authorities in connection with the Business Integration;

(3) Maintain the listing of its shares on stock exchanges (including overseas securities exchanges);

(4) Prepare the necessary documents pursuant to U.S. securities laws and regulations and perform other related procedures (including preparation of financial statements and a Form F-4 pursuant to U.S. GAAP, provision by UFJ Holdings to MTFG of an accounting firm comfort letter which has sufficient content in light of market practices in connection with the financial information of the UFJ Group Companies provided in the Form F-4, within the time period necessary for the purpose of the Form F-4 filing procedures, and in the event that the filing of a Form F-4 by Mitsubishi Securities is required, provision by UFJ Securities to Mitsubishi Securities of an accounting firm comfort letter which has sufficient content in light of market practices in connection with the financial information of UFJ Securities provided in such Form F-4, within the time period necessary for the purpose of the Form F-4 filing procedures) or use its best efforts to a reasonable extent for the performance of such procedures;

(5) In the event of any solicitations, proposals, inquiries or requests for the provision of information (collectively, Third Party Collaboration Solicitations) with respect to a capital participation, business collaboration, assignment of all or material part of its business or assets which conflicts with the purposes of the Business Integration (including reorganizations such as a share transfer, transfer of business, merger, demerger, stock-for-stock exchange and stock-for-stock transfer, and any other acts substantially having the effect of a transfer of a material business or assets, irrespective of the form thereof, but excluding any measures intended to facilitate Mitsubishi Securities becoming a directly owned subsidiary of MTFG) (collectively, Third Party Collaborations), the party receiving such Third Party Collaboration Solicitation shall:

(a) immediately notify the other party (UFJ Holdings in the event of any of the Mitsubishi Group Companies and MTFG in the event of any of the UFJ Group Companies) of the existence of the Third Party Collaboration Solicitation, the name of the party making such Third Party Collaboration Solicitation and other relevant parties and the particulars of such Third Party Collaboration Solicitation (such as major terms and conditions), including attaching copies of documents (including notices and correspondences) received from such third party in connection with the Third Party Collaboration Solicitation; and

(b)

timely provide the other party with information relating to the status of the Third Party Collaboration Solicitation thereafter (including furnishing copies of documents received from such third party thereafter, including notices and correspondences);

(6) Mutually use its best efforts to a reasonable extent in furtherance of the Business Integration.

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Section 48. (Prohibitions)

Except as otherwise set forth herein, during the effective term of this Agreement, each party shall not directly or indirectly:

(i) enter into and/or perform any agreement for the purpose of any Third Party Collaboration;

(ii) propose to any third party, or solicit any third party for, any Third Party Collaboration by itself;

(iii) discuss or negotiate any Third Party Collaboration with a third party and provide, directly or indirectly, information concerning a Third Party Collaboration to such third party;

(iv) submit to a vote any proposal concerning a Third Party Collaboration at a shareholders meeting as a proposal submitted by the company;

(v) submit to a vote any proposal concerning a Third Party Collaboration at a shareholders meeting as a proposal submitted by shareholders where such shareholders fail to satisfy the procedural requirements provided in Article 232-2 of the Commercial Code of Japan; or

(vi) express its opinion in favor of a takeover bid for the shares of either MTFG or UFJ Holdings by any person other than the Mitsubishi Group Companies or the UFJ Group Companies.

Section 49. (Information Provision)

Each company within the Mitsubishi Group Companies and the UFJ Group Companies shall mutually provide to each other information related to its business that is necessary for or useful in the Business Integration during the effective term of this Agreement, subject to applicable laws and regulations.

Section 50. (Treatment of Third Party Proposals)

50.1. (1) If either MTFG or UFJ Holdings receives a proposal for a Third Party Collaboration (the Third Party Proposal) from a third party (the Third Party Offeror) prior to the execution of the Merger Agreement Between Holding Companies, and reasonably determines that the failure to consider such proposal would likely result in a breach of the fiduciary duties of the directors or corporate auditors of the party receiving such proposal (the Proposal Receiving Party) under the Commercial Code of Japan, the Proposal Receiving Party shall promptly notify the other party (the Proposal Non-Receiving Party) in writing of such determination, together with copies of the Third Party Proposal received by it from the Third Party Offeror and all written notices relating thereto, and the Proposal Non-Receiving Party shall, upon the receipt of such notice from the Proposal Receiving Party, promptly commence good faith discussions with the Proposal Receiving Party with respect to the response to the Third Party Proposal. So long as the Proposal Receiving Party, after so notifying and having so discussed with the Proposal Non-Receiving Party in good faith, has entered into a confidentiality agreement (containing confidentiality obligations no less restrictive than those of the Proposal Non-Receiving Party to the Proposal Receiving Party in connection with the Business Integration) with the

Third Party Offeror in connection with discussion, negotiation or provision of information relating to such Third Party Proposal, and has provided the Proposal Non-Receiving Party with a copy of such confidentiality agreement, the Proposal Receiving Party shall be entitled to discuss and negotiate with, and provide information to, the Third Party Offeror in connection with the Third Party Proposal (in this item, such discussion, negotiation and provision of information is referred to as the Discussions), notwithstanding the provisions of Section 48(3) hereof and Section 40 of the Basic Memorandum of Agreement; *provided*, *however*, that if the Proposal Receiving Party receives from or gives to the Third Party Offeror any written document in connection with the Discussions, the Proposal Receiving Party shall give to the Proposal Non-Receiving Party a copy of such document by the morning of the business day immediately following the day on which such document is received or given, and shall provide the Proposal Non-Receiving Party with detailed

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information about the Discussions to a reasonable extent promptly after the day on which such Discussions were held.

(2) The Proposal Non-Receiving Party shall, within ten (10) days from receipt of the notice of the Third Party Proposal provided for in item (1) above, have the option to offer new terms and conditions of the Business Integration (the New Terms) in writing to the Proposal Receiving Party.

(3) Immediately after the expiration of the period provided for in item (2) above, MTFG and UFJ Holdings shall commence good faith discussions of the measures concerning the terms and conditions of the Business Integration (if the New Terms are offered, the New Terms) and the Third Party Proposal, taking into consideration all related circumstances. If, as the result of such discussion, MTFG and UFJ Holdings reach an agreement (such agreement shall not be refused or delayed without any reasonable cause; and the burden of proving in advance that there is no such reasonable cause is placed on the Proposal Receiving Party), they may, on the agreed terms and conditions, (a) modify the terms and conditions of the Mergers, (b) exempt the Proposal Receiving Party from its obligations under this Agreement (including, but not limited to, those provided for in Sections 9.2 through 9.4 and items (1) and (6) of Section 47), or (c) terminate this Agreement. For the avoidance of doubt, any action of the Proposal Receiving Party pursuant to this Section 50 shall not constitute any breach of its obligations under this Agreement, the Basic Memorandum of Agreement and/or the Basic Agreement of Recapitalization.

ARTICLE VIII. REPRESENTATIONS AND WARRANTIES

Section 51. (Representations and Warranties of MTFG)

51.1. MTFG shall, as of the date of execution hereof and as of the timing of the execution of the Merger Agreement Between Holding Companies, represent and warrant to UFJ Holdings that the statements set forth below are true and correct:

(1) Financial reports or financial statements for the fiscal year ending in March 2004 and the interim fiscal period ending in September 2004 of each company within the Mitsubishi Group Companies have been prepared in conformity with generally accepted accounting principles in Japan consistently applied, and such reports or statements accurately and fairly reflect the financial condition, results of operations and cash flows of each company within the Mitsubishi Group Companies and have been duly audited and certified by an accounting firm as required by applicable laws and regulations. In addition, there are no obligations or liabilities not reflected in such reports or statements (irrespective of whether they are fixed or not, and including any and all contingent liabilities) other than those incurred in the ordinary course of business at or after the time of their preparation;

(2) No event has occurred which has or could have a Material Adverse Effect on any of the Mitsubishi Group Companies; and

(3) Any and all documents and information furnished or disclosed (including those disclosed orally) by the Mitsubishi Group Companies to the UFJ Group Companies (including agents thereof) in connection with the Business Integration are accurate and truthful in all material respects. None of such documents and information (i) include any misleading contents in any material respects as of the date of their preparation, (ii) have omitted any material facts necessary in order to make their contents, in light of all the other information furnished to the UFJ Group Companies and the circumstances under which they were made, not false or misleading. In addition, there is no information undisclosed to the UFJ Group Companies which, to the knowledge of each of the Mitsubishi Group Companies, has or could have a material effect on the Business Integration or the business operations of the Mitsubishi Group Companies. For the avoidance of doubt, any disclosure

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of information by the Mitsubishi Group Companies to the UFJ Group Companies shall not affect the representations and warranties set forth in this Section 51.1 or any breach thereof.

51.2. MTFG shall promptly notify UFJ Holdings of the occurrence or discovery of any breach of the representations and warranties set forth in Section 51.1 above and the parties shall hold mutual consultations on any remedial measures therefor.

Section 52. (Representations and Warranties of UFJ Holdings)

52.1. UFJ Holdings shall, as of the date of execution hereof and as of the timing of execution of the Merger Agreement Between Holding Companies, represent and warrant to MTFG that the statements set forth below are true and correct:

(1) Financial reports or financial statements for the fiscal year ending in March 2004 and the interim fiscal period ending in September 2004 of each company within the UFJ Group Companies have been prepared in conformity with generally accepted accounting principles in Japan consistently applied, and such reports or statements accurately and fairly reflect the financial condition, results of operations and cash flows of each company within the UFJ Group Companies and have been duly audited and certified by an accounting firm as required by applicable laws and regulations. In addition, there are no obligations or liabilities not reflected in such reports or statements (irrespective of whether they are fixed or not, and including any and all contingent liabilities) other than those incurred in the ordinary course of business at or after the time of their preparation;

(2) No event has occurred which has or could have a Material Adverse Effect on any of the UFJ Group Companies; and

(3) Any and all documents and information furnished or disclosed (including those disclosed orally) by the UFJ Group Companies to the Mitsubishi Group Companies (including agents thereof) in connection with the Business Integration are accurate and truthful in all material respects. None of such documents and information (i) include any misleading contents in any material respects as of the date of their preparation, (ii) have omitted any material facts necessary in order to make their contents, in light of all the other information furnished to the Mitsubishi Group Companies and the circumstances under which they were made, not false or misleading. In addition, there is no information undisclosed to the Mitsubishi Group Companies which, to the knowledge of each of the UFJ Group Companies, has or could have a material effect on the Business Integration or the business operations of the UFJ Group Companies. For the avoidance of doubt, any disclosure of information by the UFJ Group Companies to the Mitsubishi Group Companies shall not affect the representations and warranties set forth in this Section 52.1 or any breach thereof.

52.2. UFJ Holdings shall promptly notify MTFG of the occurrence or discovery of any breach of the representations and warranties set forth in Section 52.1 above and the parties shall hold mutual consultations on any remedial measures therefor.

ARTICLE IX. EFFECT/TERMINATION EVENTS OF THIS AGREEMENT

Section 53. (Binding Effect, etc.)

53.1. This Agreement shall be legally binding upon the parties hereto.

53.2. In the event that the performance of any of the obligations under this Agreement result in a breach of the fiduciary duties of the directors or corporate auditors of any party hereto and the parties hereto agree as a result of mutual consultations in good faith, then the parties hereto shall modify this Agreement so as to avoid such breach.

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Section 54. (Relation to the Basic Memorandum of Agreement)

In the event that there are any conflicts or discrepancies between the provisions of this Agreement and the provisions of the Basic Memorandum of Agreement, the provisions of this Agreement shall prevail.

Section 55. (Effective Term of this Agreement)

Except as otherwise set forth herein, the effective term of this Agreement shall be until June 29, 2005; *provided*, *however*, that in the event that this Agreement is terminated pursuant to Sections 56 or 57 prior to the expiration of such period, the term shall be until such termination except as otherwise set forth herein.

Section 56. (Termination of this Agreement)

This Agreement may be terminated by an agreement in writing between the Mitsubishi Group Companies and the UFJ Group Companies and in accordance with such agreement prior to the annual shareholders meetings of MTFG and UFJ Holdings that are scheduled to be held in late June, 2005.

Section 57. (Termination of this Agreement for Cause)

57.1. If any of the following events occur, MTFG may terminate this Agreement upon notice to UFJ Holdings (MTFG shall hold mutual consultations with BTM, Mitsubishi Trust and Mitsubishi Securities prior to exercising its right of termination):

(1) any violation of the representations and warranties, covenants or other obligations of UFJ Holdings provided for herein has occurred or has been discovered, which violation may have a Material Adverse Effect on UFJ Holdings, and such violation fails to be remedied within thirty (30) days (or, if June 29, 2005 arrives prior to the elapse of such thirty (30) day period, then on or before June 28, 2005) after MTFG s written notice of such violation; or

(2) any event which may have a Material Adverse Effect on UFJ Holdings has occurred on or after the date hereof and such event fails to be eliminated within thirty (30) days (or, if June 29, 2005 arrives prior to the elapse of such thirty (30) day period, then on or before June 28, 2005) after MTFG s written notice of such violation.

57.2. If any of the following events occur, UFJ Holdings may terminate this Agreement upon notice to MTFG (UFJ Holdings shall hold mutual consultations with UFJ Bank, UFJ Trust and UFJ Securities prior to exercising its right of termination):

(1) any violation of the representations and warranties, covenants or other obligations of MTFG provided for herein has occurred or has been discovered, which violation may have a Material Adverse Effect on MTFG, and such violation fails to be remedied within thirty (30) days (or, if June 29, 2005 arrives prior to the elapse of such thirty (30) day period, then on or before June 28, 2005) after UFJ Holdings s written notice of such violation; or

(2) any event which may have a Material Adverse Effect on MTFG has occurred on or after the date hereof and such event fails to be eliminated within thirty (30) days (or, if June 29, 2005 arrives prior to the elapse of such thirty (30) day period, then on or before June 28, 2005) after UFJ Holdings s written notice of such violation.

Section 58. (Indemnities)

In the event that any of the Mitsubishi Group Companies or any of the UFJ Group Companies (the Indemnifying Party) causes any damage, loss, liability, claim, cost or expense (including reasonable attorney s fees and expenses, but excluding indirect or consequential damages) (collectively, the Damages, etc.) to the other parties hereto arising from any material violation of the obligations, covenants, or representations and

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warranties hereunder of such Indemnifying Party, such Indemnifying Party shall compensate or indemnify such parties hereto that incur the Damages, etc.

Section 59. (Effect of the Termination of this Agreement)

No termination of this Agreement in accordance with Section 55, 56 or 57 (the Termination) shall prevent any party hereto from seeking indemnification under the preceding Section 58. In addition, the provisions of Article X shall survive any Termination. No Termination shall discharge either MTFG or UFJ Holdings from (i) any liability accrued pursuant to this Agreement at the time of the Termination or (ii) any liability incurred hereunder after the Termination arising from any act or omission of action prior to the Termination.

ARTICLE X. MISCELLANEOUS

Section 60. (Notice)

All expressions of intent, notices, demands or other means of communication of the parties hereto to be made pursuant to or in relation to this Agreement shall be in writing and shall be delivered by hand delivery, registered mail or facsimile to the following contact persons (or successors thereof) (or to other persons separately notified by each party in accordance to this Section 60); *provided*, *however*, that the parties hereto may change such contact persons (or successors thereto) or addresses with prior notices to the other parties hereto. Each of the foregoing shall be deemed received by the intended recipient (i) upon delivery if delivered by hand, (ii) the day immediately following the day of fax transmission if sent by facsimile, or (iii) two (2) days after posting if sent by mail.

(i) To MTFG:

Mitsubishi Tokyo Financial Group, Inc.

2-4-1 Marunouchi, Chiyoda-ku, Tokyo

Attn. Takashi Oyamada, General Manager (*Togo Kikaku Shitsucho*)

Facsimile No.: 03-3240-8205

(ii) To BTM:

The Bank of Tokyo-Mitsubishi Limited

2-7-1 Marunouchi, Chiyoda-ku, Tokyo

Attn. Kanetsugu Mike, General Manager (*Togo Kikaku Shitsucho*)

Facsimile No.: 03-3240-3156

(iii) To Mitsubishi Trust:

The Mitsubishi Trust and Banking Corporation

1-4-5 Marunouchi, Chiyoda-ku, Tokyo

Attn. Hatsuhito Kaneko, Senior Chief Manager (*Togo Kikaku Shitsucho*)

Facsimile No.: 03-6214-6058

(iv) To Mitsubishi Securities:

Mitsubishi Securities Co., Ltd.

2-4-1 Marunouchi, Chiyoda-ku, Tokyo

Attn. Koji Nishimoto, General Manager (*Keiei Kikakubu Togo Kikaku Shitsucho*)

Facsimile No.: 03-6213-6568

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(v) To UFJ Holdings:

UFJ Holdings, Inc.

1-1-1 Otemachi, Chiyoda-ku, Tokyo

Attn. Ichiro Hamakawa, General Manager (Keiei Kikaku Bucho and Togo Kikaku Shitsucho)

Facsimile No.: 03-3212-5869

(vi) To UFJ Bank:

UFJ Bank Limited

1-1-1 Otemachi, Chiyoda-ku, Tokyo

Attn. Atsushi Muto, General Manager (*Kikakubu Togo Kikakushitsucho*)

Facsimile No.: 03-3214-6470

(vii) To UFJ Trust:

UFJ Trust Bank Limited

1-4-3 Marunouchi, Chiyoda-ku, Tokyo

Attn. Kenichi Miyanaga, General Manager / General Planning Department (*Sogo Kikakubu Fukubucho and Togo Kikaku Shitsucho*)

Facsimile No.: 03-3201-1185

(viii) To UFJ Securities:

UFJ Tsubasa Securities Co., Ltd.

1-1-3 Otemachi, Chiyoda-ku, Tokyo

Attn. Akio Sashida, General Manager (*Togo Kikaku Shitsucho*)

Facsimile No.: 03-5220-2057

Section 61. (Public Announcement)

Any public announcement with respect to the execution or content of this Agreement subsequent to the execution hereof shall be made at such time and in such manner and content as agreed upon in advance by the parties hereto; *provided*, *however*, that the foregoing shall not apply if such announcement is required by applicable laws and regulations, rules of stock exchange(s) or judicial and/or administrative bodies (including announcements made in the Form F-4 to be filed by MTFG or Mitsubishi Securities pursuant to U.S. securities laws and regulations).

Section 62. (Modification, etc. of this Agreement)

No modification or amendment of this Agreement shall be valid unless agreed upon in writing and executed by an authorized representative of each party by printing his name and affixing his seal. In addition, no waiver by any party of any rights under this Agreement shall be valid unless made in writing and executed by an authorized representative of such party by printing his name and affixing his seal.

Section 63. (Severability)

Any invalidity or unenforceability of any of the provisions in this Agreement for any reason shall not directly cause any other provisions herein to be invalid or unenforceable.

Section 64. (Language)

The official text of this Agreement shall be in Japanese. The official text in Japanese shall be the only effective contract irrespective of any translations of this Agreement in English or in any other languages, and in the event that there are any discrepancies between the official Japanese text and any translation thereof, the Japanese text shall prevail.

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Section 65. (Governing Law)

This Agreement shall be governed by the laws of Japan.

Section 66. (Jurisdiction)

The parties to this Agreement hereby submit to the exclusive consent jurisdiction of the Tokyo District Court as the court of first instance over any and all disputes relating to this Agreement.

Section 67. (Consultation)

The parties hereto shall consult in good faith and resolve by mutual agreement any matters not explicitly provided for herein or any doubts that arise in the interpretation of this Agreement.

[Remainder of this page intentionally left blank]

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IN WITNESS WHEREOF, this Agreement is executed in eight counterparts and the parties hereto shall affix their names and seals and shall each retain one copy.

February 18, 2005

MTFG:	2-4-1 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi Tokyo Financial Group, Inc.
BTM:	2-7-1 Marunouchi, Chiyoda-ku, Tokyo The Bank of Tokyo-Mitsubishi Limited
Mitsubishi Trust:	1-4-5 Marunouchi, Chiyoda-ku, Tokyo The Mitsubishi Trust and Banking Corporation
Mitsubishi Securities:	2-4-1 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi Securities Co., Ltd.
UFJ Holdings:	3-5-6 Fushimi-machi Chuo-ku, Osaka UFJ Holdings, Inc.
UFJ Bank:	3-21-24 Nishiki, Naka-ku, Nagoya-shi UFJ Bank Limited
UFJ Trust:	1-4-3 Marunouchi, Chiyoda-ku, Tokyo UFJ Trust Bank Limited
UFJ Securities:	1-1-3 Otemachi, Chiyoda-ku, Tokyo UFJ Tsubasa Securities Co., Ltd.

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Amendment to Integration Agreement

THIS AMENDMENT TO INTEGRATION AGREEMENT (this Agreement) is entered into by and among Mitsubishi Tokyo Financial Group, Inc. (MTFG), The Bank of Tokyo-Mitsubishi Limited (BTM), The Mitsubishi Trust and Banking Corporation (Mitsubishi Trust) and Mitsubishi Securities Co., Ltd. (Mitsubishi Securities), and UFJ Holdings, Inc. (UFJ Holdings), UFJ Bank Limited (UFJ Bank), UFJ Trust Bank Limited (UFJ Trust) and UFJ Tsubasa Securities Co., Ltd. (UFJ Securities) in order to amend the Integration Agreement dated February 18, 2005 (the Integration Agreement) by and among the parties hereto in accordance with the provisions of Section 62 of the Integration Agreement.

Section 1. Amendment to Section 9.3 of the Integration Agreement. Section 9.3 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

9.3. Subject to the terms and conditions set forth in this Agreement, MTFG shall convene class shareholders meetings of the Class 1 preferred shares and Class 3 preferred shares, respectively, within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Holding Companies and the resolutions required for the Merger Between Holding Companies.

(After Amendment)

9.3. Subject to the terms and conditions set forth in this Agreement, MTFG shall convene a class shareholders meeting of the Class 3 preferred shares within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Holding Companies and the resolutions required for the Merger Between Holding Companies.

Section 2. Amendment to Section 10.1 of the Integration Agreement. Section 10.1 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

10.1. Upon the Merger Between Holdings Companies, MTFG shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of shares of common stock of UFJ Holdings held by the shareholders (the term shareholder being hereinafter defined as including a beneficial shareholder) entered or recorded in the latest shareholder register (the term shareholder register being hereinafter defined as including a beneficial shareholder register) of UFJ Holdings as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Holdings at a rate of 0.62 shares of common stock of MTFG per share of common stock of UFJ Holdings.

(After Amendment)

10.1. Upon the Merger Between Holdings Companies, MTFG shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of shares of common stock of UFJ Holdings held by the shareholders (the term shareholder being hereinafter defined as including a beneficial shareholder and a fractional shareholder) entered or recorded in the latest shareholder register (the term shareholder register being hereinafter defined as including a beneficial shareholder register and a fractional shareholder register) of UFJ Holdings as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Holdings at a rate of 0.62 shares of common stock of MTFG per share of common stock of UFJ Holdings; *provided, however*, that the shares of common stock of UFJ Holdings held by MTFG and treasury shares held by UFJ Holdings do not receive an allocation.

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Section 3. Amendment to Section 19 of the Integration Agreement.

Section 3.1. Section 19.3 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

19.3. Subject to the terms and conditions set forth in this Agreement, BTM shall convene class shareholders meeting of the preferred shares within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks. MTFG shall exercise its voting rights in favor of the resolution to approve the Merger Agreement Between Banks at such shareholders meeting.

(After Amendment)

19.3. Subject to the terms and conditions set forth in this Agreement, BTM shall convene class shareholders meetings of the Class 1 preferred shares and the Class 2 preferred shares, respectively, within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks at each such meeting. MTFG shall exercise its voting rights in favor of the resolution to approve the Merger Agreement Between Banks at such shareholders meetings.

Section 3.2. Section 19.4 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

19.4. Subject to the terms and conditions set forth in this Agreement, UFJ Bank shall convene class shareholders meetings of the ordinary shares, Series 1 of preferred shares, Series 1 of Class A preferred shares, Series 1 of Class D preferred shares, Series 2 of Class D preferred shares, Series 1 of Class E preferred shares, Series 1 of Class G preferred shares and Series 2 of Class G preferred shares, respectively, within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks at each such meeting. UFJ Holdings and MTFG shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Banks at such shareholders meetings.

(After Amendment)

19.4. Subject to the terms and conditions set forth in this Agreement, UFJ Bank shall convene class shareholders meetings of the ordinary shares, Series 1 of preferred shares, Series 1 of Class A preferred shares, Series 1 of Class D preferred shares, Series 2 of Class D preferred shares, Series 1 of Class E preferred shares (which shall hereinafter read Class F preferred shares, if such shares have been issued upon conversion of the Series 1 of Class E preferred shares), Series 1 of Class G preferred shares, Series 2 of Class G preferred shares and Series 1 of Class H

preferred shares, respectively, within the last ten days of June 2005, and shall seek class shareholder approval of the Merger Agreement Between Banks and the resolutions required for the Merger Between Banks at each such meeting. UFJ Holdings and MTFG shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Banks at such shareholders meetings.

Section 4. Amendment to Section 20 of the Integration Agreement.

Section 4.1. Section 20.1 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

20.1. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of shares of common stock of UFJ Bank held by the

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shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Bank at a rate of 0.62 shares of common stock of BTM per share of common stock of UFJ Bank.

(After Amendment)

20.1. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of shares of common stock of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Bank at a rate of 0.62 shares of common stock of BTM per share of common stock of UFJ Bank; *provided* that any fraction resulting from such allotment which constitutes less than one share of common stock of BTM shall be rounded up to one share.

Section 4.2. Section 20.5 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

20.5. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class E preferred shares of UFJ Bank) in a number equal to the total number of the Series 1 of Class E preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class E preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.5 per share of the Series 1 of Class E preferred stock of UFJ Bank.

(After Amendment)

20.5. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of the Series 1 of Class E preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger by (y) 0.34, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class E preferred stock of UFJ Bank (which shall hereinafter read the shareholders of Class F preferred stock of UFJ Bank, if such shares have been issued upon conversion of the Series 1 of Class E preferred shares of UFJ Bank) at a rate of 0.34 shares of common stock of BTM per share of the Series 1 of Class E preferred stock of UFJ Bank.

Section 4.3. Section 20.6 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

20.6. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 1 of Class G preferred shares of UFJ Bank) in a number equal to the total number of the Series 1 of Class G preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class G preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.6 per share of the Series 1 of Class G preferred stock of UFJ Bank.

(After Amendment)

20.6. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of the Series 1 of Class G preferred shares of

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UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger by (y) 0.34, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class G preferred stock of UFJ Bank at a rate of 0.34 shares of common stock of BTM per share of the Series 1 of Class G preferred stock of UFJ Bank.

Section 4.4. Section 20.7 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

20.7. Upon the Merger Between Banks, BTM shall newly issue shares of preferred stock (upon substantially the same terms and conditions as those of the Series 2 of Class G preferred shares of UFJ Bank) in a number equal to the total number of the Series 2 of Class G preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger, and allot and deliver such newly issued shares to the shareholders of the Series 2 of Class G preferred stock of UFJ Bank at a rate of 1 share of preferred stock to be issued pursuant to this Section 20.7 per share of the Series 2 of Class G preferred stock of UFJ Bank.

(After Amendment)

20.7. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of the Series 2 of Class G preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger by (y) 0.34, and allot and deliver such newly issued shares to the shareholders of the Series 2 of Class G preferred stock of UFJ Bank at a rate of 0.34 shares of common stock of BTM per share of the Series 2 of Class G preferred stock of UFJ Bank.

Section 4.5. A new provision as set forth below shall be added to Section 20 as Section 20.8:

20.8. Upon the Merger Between Banks, BTM shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of the Series 1 of Class H preferred shares of UFJ Bank held by the shareholders entered or recorded in the latest shareholder register of UFJ Bank as of the day immediately preceding the date of the merger by (y) 3.44, and allot and deliver such newly issued shares to the shareholders of the Series 1 of Class H preferred stock of UFJ Bank at a rate of 3.44 shares of common stock of BTM per share of the Series 1 of Class H preferred stock of UFJ Bank.

Section 5. Amendment to Section 29.2 of the Integration Agreement. Section 29.2 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

29.2. Subject to the terms and conditions set forth in this Agreement, each of Mitsubishi Trust and UFJ Trust shall convene their respective annual shareholders meeting (in the case of Mitsubishi Trust, its annual shareholders meeting will also be deemed as the class shareholders meeting of the ordinary shares) within the last ten days of June 2005, and shall seek shareholder approval of the Merger Agreement Between Trust Banks and the resolutions required for the Merger Between Trust Banks. MTFG and UFJ Holdings shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Trust Banks at such annual shareholders meetings.

(After Amendment)

29.2. Subject to the terms and conditions set forth in this Agreement, each of Mitsubishi Trust and UFJ Trust shall convene their respective annual shareholders meeting within the last ten days of June 2005, and shall seek shareholder approval of the Merger Agreement Between Trust Banks and the resolutions required for the Merger Between Trust Banks. MTFG and UFJ Holdings shall exercise their respective voting rights in favor of the resolution to approve the Merger Agreement Between Trust Banks at such annual shareholders meetings.

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Section 6. Amendment to Section 30.1 of the Integration Agreement. Section 30.1 of the Integration Agreement shall be amended to read as follows:

(Before Amendment)

30.1. Upon the Merger Between Trust Banks, Mitsubishi Trust shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of shares of common stock of UFJ Trust held by the shareholders entered or recorded in the latest shareholder register of UFJ Trust as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Trust at a rate of 0.62 shares of common stock of Mitsubishi Trust per share of common stock of UFJ Trust.

(After Amendment)

30.1. Upon the Merger Between Trust Banks, Mitsubishi Trust shall newly issue shares of common stock in a number equal to the product obtained by multiplying (x) the total number of shares of common stock of UFJ Trust held by the shareholders entered or recorded in the latest shareholder register of UFJ Trust as of the day immediately preceding the date of the merger by (y) 0.62, and allot and deliver such newly issued shares to the shareholders of common stock of UFJ Trust at a rate of 0.62 shares of common stock of Mitsubishi Trust per share of common stock of UFJ Trust; *provided* that any fraction resulting from such allotment which constitutes less than one share of common stock of Mitsubishi Trust shall be rounded up to one share.

Section 7. Effect of This Agreement. The amendments to the Integration Agreement pursuant to this Agreement shall be effective as of the date hereof, but shall not affect any other terms and conditions of the Integration Agreement.

[Remainder of this page intentionally left blank]

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IN WITNESS WHEREOF, this Agreement is executed in eight counterparts and parties hereto shall affix their names and seals and shall each retain one original.

April 20, 2005

MTFG:	2-4-1 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi Tokyo Financial Group, Inc.
BTM:	2-7-1 Marunouchi, Chiyoda-ku, Tokyo The Bank of Tokyo-Mitsubishi Limited
Mitsubishi Trust:	1-4-5 Marunouchi, Chiyoda-ku, Tokyo The Mitsubishi Trust and Banking Corporation
Mitsubishi Securities:	2-4-1 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi Securities Co., Ltd.
UFJ Holdings:	3-5-6 Fushimi-machi Chuo-ku, Osaka UFJ Holdings, Inc.
UFJ Bank:	3-21-24 Nishiki, Naka-ku, Nagoya-shi UFJ Bank Limited
UFJ Trust:	1-4-3 Marunouchi, Chiyoda-ku, Tokyo UFJ Trust Bank Limited
UFJ Securities:	1-1-3 Otemachi, Chiyoda-ku, Tokyo UFJ Tsubasa Securities Co., Ltd.

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ANNEX B

ENGLISH TRANSLATION OF MERGER AGREEMENT, DATED APRIL 20, 2005

Merger Agreement

Mitsubishi Tokyo Financial Group, Inc. (MTFG) and UFJ Holdings, Inc. (UFJ) make and enter into this Merger Agreement (this Agreement) as follows.

Article 1 Method of Merger

MTFG will merge with UFJ (the Merger), whereby MTFG will be the surviving company and UFJ will be the dissolving company upon the Merger.

Article 2 Amendment to Articles of Incorporation

Prior to the Merger, MTFG plans to propose amendments to the current Articles of Incorporation as set forth in Attachment 1 as the meeting agenda (the Pre-Merger Agenda) at its Shareholders Meetings for Merger Approval as provided for in Article 5. Such amendment to the Articles of Incorporation will become effective immediately upon approval of the Pre-Merger Agenda at the Shareholders Meetings for Merger Approval. After such amendment to the Articles of Incorporation becomes effective, MTFG shall amend its Articles of Incorporation as set forth in Attachment 2 upon the Merger. Such amendment becomes effective, with respect to Articles 5, 11 through 13 (except the amendment of Article 37 to Article 38 as set forth in Article 12), 17, 18 and 39 of the Articles of Incorporation so amended, upon effectiveness of the Merger, and with respect to Articles other than Articles 5, 11 through 13 (except the amendment of Article 37 to Article 38 as set forth in Article 12), 17, 18 and 39 of the Articles of Incorporation so amended, at the scheduled merger date (*gappei kijitsu*). If the Pre-Merger Agenda is not approved at the MTFG Shareholders Meetings for Merger Approval or is not proposed at the MTFG Shareholders Meetings for Merger Approval, MTFG shall amend its Articles of Incorporation as set forth in Schedule 3 upon the Merger. Such amendment becomes effective, with respect to Articles 5, 6, 11 through 19 (except the amendment of Article 37 to Article 38 as set forth in Article 12) and 39 of the Articles of Incorporation so amended, upon effectiveness of the Merger, and with respect to Articles other than Articles 5, 6, 11 through 19 (except the amendment of Article 37 to Article 38 as set forth in Article 12) and 39 of the Articles of Incorporation so amended, at the scheduled merger date.

Article 3 Shares to be Issued upon the Merger and Allocation thereof

Upon the Merger, MTFG shall issue classes of shares, and allot and deliver such shares to the shareholders (the term shareholder being hereinafter defined as including a beneficial shareholder and a fractional shareholder) of UFJ as follows:

(1) Ordinary Shares

Upon the Merger, MTFG shall issue shares of common stock in a number equal to the product obtained by multiplying the (x) total number of common stock of UFJ held by the shareholders entered or recorded in the latest shareholder register (the term shareholder register being hereinafter defined as including a beneficial shareholder register and a fractional shareholder register) of UFJ as of the day immediately preceding the scheduled merger date by (y) 0.62, and allot and deliver such issued shares to the shareholders of common stock of UFJ at a rate of 0.62 shares of common stock of MTFG per share of common stock of UFJ; *provided, however,* that the shares of common stock of UFJ held by MTFG and treasury shares held by UFJ do not receive an allocation.

(2) Series 2 Class 2 Preferred Shares

Upon the Merger, MTFG shall issue shares of Class 8 preferred stock in a number equal to the total number of the Series 2 Class 2 preferred shares of UFJ held by the shareholders entered or recorded in the

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latest shareholder register of UFJ as of the day immediately preceding the scheduled merger date, and allot and deliver such issued shares to the shareholders of Series 2 Class 2 preferred stock of UFJ at a rate of 1 share of Class 8 preferred stock of MTFG per share of the Series 2 Class 2 preferred stock of UFJ.

The details of Class 8 preferred stock allotted and delivered by MTFG shall be as set forth in the terms and conditions of their issuance as set forth in Attachment 4 as well as in MTFG s Articles of Incorporation.

(3) Series 4 Class 4 Preferred Shares

Upon the Merger, MTFG shall issue shares of Class 9 preferred stock in a number equal to the total number of the Series 4 Class 4 preferred shares of UFJ held by the shareholders entered or recorded in the latest shareholder register of UFJ as of the day immediately preceding the scheduled merger date, and allot and deliver such issued shares to the shareholders of Series 4 Class 4 preferred stock of UFJ at a rate of 1 share of Class 9 preferred stock of MTFG per share of the Series 4 Class 4 preferred stock of UFJ.

The details of Class 9 preferred stock allotted and delivered by MTFG shall be as set forth in the terms and conditions of their issuance as set forth in Attachment 5 as well as in MTFG s Articles of Incorporation.

(4) Series 5 Class 5 Preferred Shares

Upon the Merger, MTFG shall issue shares of Class 10 preferred stock in a number equal to the total number of the Series 5 Class 5 preferred shares of UFJ held by the shareholders entered or recorded in the latest shareholder register of UFJ as of the day immediately preceding the scheduled merger date, and allot and deliver such issued shares to the shareholders of Series 5 Class 5 preferred stock of UFJ at a rate of 1 share of Class 10 preferred stock of MTFG per share of the Series 5 Class 5 preferred stock of UFJ.

The details of Class 10 preferred stock allotted and delivered by MTFG shall be as set forth in the terms and conditions of their issuance as set forth in Attachment 6 as well as in MTFG s Articles of Incorporation.

(5) Series 6 Class 6 Preferred Shares

Upon the Merger, MTFG shall issue shares of Class 11 preferred stock in a number equal to the total number of the Series 6 Class 6 preferred shares of UFJ held by the shareholders entered or recorded in the latest shareholder register of UFJ as of the day immediately preceding the scheduled merger date, and allot and deliver such issued shares to the shareholders of Series 6 Class 6 preferred stock of UFJ at a rate of 1 share of Class 11 preferred stock of MTFG per share of the Series 6 Class 6 preferred stock of UFJ.

The details of Class 11 preferred stock allotted and delivered by MTFG shall be as set forth in the terms and conditions of their issuance as set forth in Attachment 7 as well as in MTFG s Articles of Incorporation.

(6) Series 7 Class 7 Preferred Shares

Upon the Merger, MTFG shall issue shares of Class 12 preferred stock in a number equal to the total number of the Series 7 Class 7 preferred shares of UFJ held by the shareholders entered or recorded in the latest shareholder register of UFJ as of the day immediately preceding the scheduled merger date, and allot and deliver such issued shares to the shareholders of Series 7 Class 7 preferred stock of UFJ at a rate of 1 share of Class 12 preferred stock of MTFG per share of the Series 7 Class 7 preferred stock of UFJ.

The details of Class 12 preferred stock allotted and delivered by MTFG shall be as set forth in the terms and conditions of their issuance as set forth in Attachment 8 as well as in MTFG s Articles of Incorporation.

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Article 4 Increase of Capital, Reserve, etc.

4.1 The capital, capital reserve, retained earnings reserve, voluntary reserve and other retained earnings of MTFG shall be increased due to the Merger as follows:

(1)	Capital:	0 yen.
(2)	Capital reserve:	the amount of profit from the Merger (*gappei saeki*) less the amounts described in Items (3) and (4) of this Article 4.1.
(3)	Retained earnings reserve:	the amount of UFJ s retained earnings reserve as of the scheduled merger date.
(4)	Voluntary reserve and other retained earnings:	the amount of UFJ s voluntary reserve and other retained earnings as of the scheduled merger date; *provided, however,* that MTFG and UFJ will determine upon consultation the items and amounts to be retained.

4.2 If the amount of profit from the Merger is less than the total of the amounts described in Items (3) and (4) of Article 4.1, the amounts described in Items (3) and (4) of Article 4.1 shall be decreased to the amount of profit from the Merger in the order of Items (4) and (3) of Article 4.1.

4.3 MTFG and UFJ may change the amounts described in Items (2) through (4) of Article 4.1 upon consultation and taking into consideration UFJ s financial condition as of the scheduled merger date.

Article 5 Shareholders Meetings for Merger Approval

5.1 MTFG and UFJ shall each hold an ordinary general shareholders meeting on June 29, 2005 (MTFG s ordinary general shareholders meeting is also a class shareholders meeting of holders of ordinary shares), and seek approval of this Agreement and matters necessary for the Merger.

5.2 MTFG shall hold a class shareholders meeting of holders of Class 3 preferred shares on June 29, 2005, and seek approval of this Agreement and matters necessary for the Merger.

5.3 UFJ shall hold class shareholders meetings of holders of ordinary shares, Series 1 Class 1 preferred shares, Series 2 Class 2 preferred shares, Series 4 Class 4 preferred shares, Series 5 Class 5 preferred shares, Series 6 Class 6 preferred shares and Series 7 Class 7 preferred shares, respectively, on June 29, 2005, and seek approval of this Agreement and matters necessary for the Merger.

5.4 MTFG and UFJ may change upon consultation the date on which each of the shareholders meetings provided for in Article 5.1 and class shareholders meetings of each class of shareholders provided for in Articles 5.2 and 5.3 (collectively, the Shareholders Meetings for Merger Approval) are held if so required for the merger process or for other reasons.

Article 6 Scheduled Merger Date

The scheduled merger date shall be October 1, 2005; *provided, however,* that MTFG and UFJ may change the date upon consultation if such change is required for the merger process or for other reasons.

Article 7 Transfer of Assets

7.1 UFJ shall transfer all of its assets and liabilities, and rights and obligations to MTFG on the scheduled merger date based on the balance sheet or other calculations as of March 31, 2005 after adjusting for the increase and decrease calculations occurring before the scheduled merger date.

7.2 UFJ shall clarify to MTFG the details of changes in its assets and liabilities, and in its rights and obligations, occurring during the period from April 1, 2005 to the scheduled merger date by drafting a clarifying statement.

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Article 8 Merger-related Cash Distributions

MTFG shall make no payments of merger-related cash distributions (*gappei kouhukin*) upon the Merger.

Article 9 Management of Assets

MTFG and UFJ shall each perform their respective business operations and manage and operate their respective assets with the due care of a prudent custodian after the execution of this Agreement until the scheduled merger date. If either MTFG or UFJ attempts to conduct an activity that would have a material effect on its assets, rights and obligations, both parties shall consult and agree before conducting such activity.

Article 10 Maximum Amount of Year-End and Interim Dividends

10.1 MTFG may pay to the shareholders and registered pledgees entered or recorded in its latest shareholder register as of March 31, 2005 year-end dividends up to the maximum amount set forth below for each class of shares, subject to approval at the MTFG s ordinary general shareholders meeting as provided for in Article 5.1:

6,000 yen per each ordinary share

41,250 yen per each Class 1 preferred share

7,069 yen per each Class 3 preferred share

Total: 41,657,895,220 yen

10.2 MTFG may pay to the shareholders and registered pledgees entered or recorded in its latest shareholder register as of September 30, 2005 interim dividends up to the maximum amount set forth below for each class of shares, subject to a resolution of its board of directors:

3,000 yen per each ordinary share

30,000 yen per each Class 3 preferred share

Total: 22,636,060,110 yen

Article 11 Initial Date for Calculating Dividends

The initial date to calculate the dividends of ordinary shares to be issued by MTFG in accordance with Article 3(1) shall be October 1, 2005.

Article 12 Treatment of Employees

MTFG shall continue to employ all employees (including executive officers and seconded personnel; the same applies hereinafter) employed by UFJ as of the scheduled merger date as MTFG s employees; *provided, however,* that the length of service of such employees at UFJ shall be added to the length of service of such employees at MTFG, and other employment matters shall be separately determined upon consultation between MTFG and UFJ.

Article 13 Names of Directors and Statutory Auditors Appointed upon the Merger

Directors and statutory auditors of MTFG to be newly appointed upon the Merger shall be as follows; *provided, however,* that the date of appointment shall be on the scheduled merger date:

(1) Directors

Ryosuke Tamakoshi, Toshihide Mizuno, Shintaro Yasuda,

Hirohisa Aoki, Hiroshi Hamada, Iwao Okijima

(2) Statutory auditors

Haruo Matsuki, Kunie Okamoto

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Article 14 Term of Office of MTFG s Statutory Auditors Appointed before the Merger

The term of office of MTFG s statutory auditors who were appointed before the Merger (including the statutory auditors to be appointed in accordance with Article 13) shall be as set forth in Article 33 of the Articles of Incorporation as amended in connection with the Merger.

Article 15 Retirement Compensation of Directors and Statutory Auditors

15.1 Retirement compensation of MTFG s directors or statutory auditors who will resign before the scheduled merger date may be paid in accordance with the provisions of, or standards for, MTFG s current retirement compensation for officers with the approval of shareholders at MTFG s ordinary general shareholders meeting as provided for in Article 5.1 or other general shareholders meetings to be separately held.

15.2 Retirement compensation of UFJ s directors or statutory auditors who will not be appointed as MTFG s directors or statutory auditors in accordance with Article 13 and former UFJ s directors or statutory auditors who resigned before the execution date of this Agreement but did not receive retirement compensation upon his or her resignation may be paid with the approval of shareholders at MTFG s general shareholders meeting to be held after the Merger in the amount calculated in accordance with the provisions of, or standards for, UFJ s current retirement compensation for officers.

15.3 The amount of retirement compensation of UFJ s directors or statutory auditors who will be appointed as MTFG s directors or statutory auditors in accordance with Article 13 shall be determined considering the total term of office in UFJ until the date immediately prior to the scheduled merger date and the term of office in MTFG. Upon determination, retirement compensation for the term of office in UFJ shall be calculated in accordance with the provisions of, or standards for, UFJ s current retirement compensation for officers.

Article 16 Submitting of UFJ s Share Certificates

UFJ shall cause UFJ s shareholders to submit all share certificates representing UFJ s shares.

Article 17 Amendment of Terms and Conditions of the Merger and Termination of this Agreement

17.1 For the period from the execution date of this Agreement to the effectiveness of the Merger, if, due to Acts of God or for any other reason, any material change occurs to the financial condition or business results of MTFG or UFJ or any event that materially interferes with the execution of the Merger occurs, MTFG and UFJ may, upon agreement following consultation, amend the terms and conditions of the Merger or terminate this Agreement.

17.2 In the event that the performance of any obligations under this Agreement would result in a breach of the fiduciary duties of MTFG s or UFJ s directors or statutory auditors, and MTFG and UFJ agree as a result of mutual consultations in good faith, then MTFG and UFJ shall amend this Agreement so as not to cause such breach.

Article 18 Validity of this Agreement

This Agreement shall be nullified if:

(1) an approval of one of the Shareholders Meetings for Merger Approval of MTFG or UFJ as provided for in Article 5 is not obtained;

(2) an approval or authorization of the relevant authorities prescribed by domestic or foreign laws and ordinances is not obtained before the scheduled merger date, or such approval or authorization is subject to any condition or limitation that may materially interfere with the execution of the Merger; or

(3) this Agreement is terminated in accordance with Article 17.1.

Article 19 Matters not Provided for in this Agreement

Except for the matters provided for in this Agreement, matters necessary for the Merger shall be resolved in the spirit of this Agreement and upon consultation in good faith between MTFG and UFJ.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed in duplicate, and MTFG and UFJ shall each retain one original.

April 20, 2005

MTFG: Mitsubishi Tokyo Financial Group, Inc.
2-4-1, Marunouchi, Chiyoda-ku, Tokyo

UFJ: UFJ Holdings, Inc.
3-5-6, Fushimimachi, Chuo-ku, Osaka-shi

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(Attachment 1)

(Changes are indicated by underlines)

Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
CHAPTER I.	**CHAPTER I.**
GENERAL PROVISIONS	**GENERAL PROVISIONS**
(Trade Name)	*(Trade Name)*
Article 1.	**Article 1.**
The Company shall be called Kabushiki Kaisha Mitsubishi Tokyo Financial Group and shall be called in English Mitsubishi Tokyo Financial Group, Inc. (hereinafter referred to as the Company).	(No change.)
(Purpose)	*(Purpose)*
Article 2.	**Article 2.**
The purpose of the Company shall be to engage in the following businesses as a bank holding company:	(No change.)
1. Administration of management of banks, trust banks, specialized securities companies, insurance companies or other companies which the Company may own as its subsidiaries under the Banking Law; and	
2. Any other businesses incidental to the foregoing businesses mentioned in the preceding item.	
(Location of Head Office)	*(Location of Head Office)*

Article 3.	**Article 3.**
The Company shall have its head office in Chiyoda-ku, Tokyo.	(No change.)
(Method of Public Notice)	*(Method of Public Notice)*
Article 4.	**Article 4.**
Public notices of the Company shall be given in the *Nihon Keizai Shimbun* published in Tokyo.	(No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
CHAPTER II.	**CHAPTER II.**
SHARES	**SHARES**
(Total Number of Shares Authorized to be Issued)	*(Total Number of Shares Authorized to be Issued)*
Article 5.	**Article 5.**
The aggregate number of shares authorized to be issued by the Company shall be twenty-two million four hundred twenty-one thousand four hundred (22,421,400) shares, twenty-two million (22,000,000) of which being Ordinary Shares, eighty-one thousand four hundred (81,400) of which being Class 1 Preferred Shares, one hundred thousand (100,000) of which being Class 2 Preferred Shares, one hundred twenty thousand (120,000) of which being Class 3 Preferred Shares, and one hundred twenty thousand (120,000) of which being Class 4 Preferred Shares; provided, however, that if any number of the shares are cancelled or any number of Class 2 Preferred Shares or Class 4 Preferred Shares are converted into Ordinary Shares, such number shall be deducted accordingly from the relevant number of Shares authorized to be issued.	The aggregate number of shares authorized to be issued by the Company shall be twenty-two million nine hundred twenty thousand (22,920,000) shares, the details of which shall be as set forth below; provided, however, that if any number of the shares are cancelled or any number of Class 6 Preferred Shares or Class 7 Preferred Shares are converted into Ordinary Shares, such number shall be deducted accordingly from the relevant number of Shares authorized to be issued.
	Ordinary Shares:
	twenty two million (22,000,000) shares
	Class 3 Preferred Shares:
	one hundred twenty thousand (120,000) shares
	Class 5 Preferred Shares:
	four hundred thousand (400,000) shares
	Class 6 Preferred Shares:

	two hundred thousand (200,000) shares
	Class 7 Preferred Shares:
	two hundred thousand (200,000) shares
(Purchase of Own Shares)	*(Purchase of Own Shares)*
Article 6.	**Article 6.**
The Company may purchase its own Ordinary Shares by a resolution of the Board of Directors.	1. (No change.)
(Newly established.)	2. If the Company purchases its own Ordinary Shares and/or any class of Preferred Shares by a resolution of an ordinary general meeting of shareholders, such purchase may be made in respect of any of one or more classes of the shares. In case of such purchase, shareholders who hold shares other than those being subject to the relevant purchase are not entitled to make a request as provided for by Article 210, Paragraph 7 of the Commercial Code.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Newly established.)	3. If the Company cancels its own Ordinary Shares and/or any class of Preferred Shares, such cancellation may be made in respect of any of one or more classes of the shares.
(Record Date)	*(Record Date)*
Article 7.	**Article 7.**
1. The Company shall deem the shareholders (including beneficial shareholders; the same shall apply hereinafter) whose names have been entered or recorded in the latest register of shareholders (including the register of beneficial shareholders; the same shall apply hereinafter) as of March 31 of each year to be the shareholders who are entitled to exercise their rights at the ordinary general meeting of shareholders for the relevant fiscal term.	(No change.)
2. In addition to the above, whenever necessary, the Company may, upon giving prior public notice, fix a date as a record date and may deem the shareholders or registered pledgees whose names have been entered or recorded in the latest register of shareholders as of such date, or the fractional shareholders whose names have been entered or recorded in the latest ledger of fractional shares as of such date, as the shareholders, the registered pledgees or the fractional shareholders entitled to exercise their rights.	
(Request for Sale of Fractional Shares)	*(Request for Sale of Fractional Shares)*
Article 8.	**Article 8.**
1. A fractional shareholder may request that the Company sell to such fractional shareholder fractional shares which shall become one (1) share if combined with the fractional shares already held by such fractional shareholder.	(No change.)
2. In case of a request provided for in the preceding paragraph, the Company may refuse the request if the Company does not own fractional shares to be sold to such fractional shareholder.	

(Transfer Agent)	*(Transfer Agent)*
Article 9.	**Article 9.**
1. The Company shall have a transfer agent for its shares and fractional shares.	(No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
2. The transfer agent and its handling office shall be designated by a resolution of the Board of Directors, and public notice thereof shall be given.	
3. The register of shareholders, the ledger of fractional shares and the register of lost share certificates of the Company shall be kept at the handling office of the transfer agent. The registration of transfer of shares, the registration of pledges on shares, the entries or records in the register of beneficial shareholders and in the register of lost share certificates as well as in the ledger of fractional shares, the purchase of fractional shares by the Company and the purchase of additional fractional shares by fractional shareholders, and any other businesses with respect to shares and fractional shares shall be handled by the transfer agent and not by the Company.	
(Share Handling Regulations)	*(Share Handling Regulations)*
Article 10.	**Article 10.**
The denomination of share certificates to be issued by the Company, the registration of transfers of shares, the registration of pledges on shares, the entries or records in the register of beneficial shareholders and in the register of lost share certificates as well as in the ledger of fractional shares, the purchase of fractional shares by the Company and the purchase of additional fractional shares by fractional shareholders, and any other handling with respect to shares and fractional shares as well as the fees therefor shall be governed by the Share Handling Regulations established by the Board of Directors.	(No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
CHAPTER III	**CHAPTER III**
PREFERRED SHARES	**PREFERRED SHARES**
(Preferred Dividends)	*(Preferred Dividends)*
Article 11.	**Article 11.**
1. The Company shall pay dividends on Preferred Shares (hereinafter referred to as the Preferred Dividends) in the amount of eighty-two thousand five hundred (82,500) yen per Class 1 Preferred Share per year and in the amount of sixteen thousand two hundred (16,200) yen per Class 2 Preferred Share per year, to the holders of Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 hereof have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth above for each relevant class of Preferred Shares.	1. The Company shall pay dividends on Preferred Shares (hereinafter referred to as the Preferred Dividends) in such respective amount as prescribed below to the holders of Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 hereof have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth below for each relevant class of Preferred Shares. Class 3 Preferred Shares: Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year Class 5 Preferred Shares: Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 5 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year

Class 6 Preferred Shares:

Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 6 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
	Class 7 Preferred Shares:
2. The Company shall pay the Preferred Dividends for Class 3 or Class 4 Preferred Shares in such amount as determined by resolution of the Board of Directors adopted at the time of issuance of the relevant Preferred Shares, up to two hundred fifty thousand (250,000) yen per Class 3 Preferred Share per year and up to one hundred twenty-five thousand (125,000) yen per Class 4 Preferred Share per year, to the Preferred Shareholders or Registered Preferred Pledgees whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders; provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 of these Articles have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth above for each relevant class of Preferred Shares.	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 7 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year
	(Deleted.)
	2. (No change.)
3. If the aggregate amount paid to a Preferred Shareholder or Registered Preferred Pledgee as dividends in any particular business year is less than the prescribed amount of the relevant Preferred Dividends, the unpaid amount shall not be carried over to nor cumulated in subsequent business years.	
4. The Company shall not pay to any Preferred Shareholder or Registered Preferred Pledgee as dividends any amount in excess of the prescribed amount of the relevant Preferred Dividends.	3. (No change.)
(Preferred Interim Dividends)	*(Preferred Interim Dividends)*
Article 12.	**Article 12.**
1. In the event of payment of Interim Dividends provided for in Article 37 of these Articles (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of forty-one thousand two hundred fifty (41,250) yen per Class 1 Preferred Share and in the amount of eight thousand one hundred (8,100) yen per Class 2 Preferred	1. In the event of payment of Interim Dividends provided for in Article 37 of these Articles (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in such respective amount as prescribed below for each class of Preferred Shares to the Preferred Shareholders or Registered Preferred

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.	Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.
	Class 3 Preferred Shares:
	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share
2. In the event of payment of Interim Dividends for Class 3 or Class 4 Preferred Shares provided for in Article 37 of these Articles, the Company shall pay the Preferred Interim Dividends in such amount as determined by resolution of the Board of Directors adopted at the time of issuance of the relevant Preferred Shares up to one hundred twenty-five thousand (125,000) yen per Class 3 Preferred Share and up to sixty-two thousand five hundred (62,500) yen per Class 4 Preferred Share, respectively, to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.	Class 5 Preferred Shares:
	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 5 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share
	Class 6 Preferred Shares:
	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 6 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share
	Class 7 Preferred Shares:
	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 7 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share
	(Deleted.)
(Distribution of Residual Assets)	*(Distribution of Residual Assets)*
Article 13.	**Article 13.**

1. If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered

1. If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
Ordinary Pledgees or Fractional Ordinary Shareholders, in the amount of three million (3,000,000) yen per Class 1 Preferred Share, two million (2,000,000) yen per Class 2 Preferred Share, two million five hundred thousand (2,500,000) yen per Class 3 Preferred Share and two million five hundred thousand (2,500,000) yen per Class 4 Preferred Share.	Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in such respective amount as prescribed below:
	Class 3 Preferred Shares:
	Two million five hundred thousand (2,500,000) yen per share
	Class 5 Preferred Shares:
	Two million five hundred thousand (2,500,000) yen per share
2. The Company shall not make a distribution of residual assets other than as provided for in the preceding paragraph to the Preferred Shareholders or Registered Preferred Pledgees.	Class 6 Preferred Shares:
	Two million five hundred thousand (2,500,000) yen per share
	Class 7 Preferred Shares:
	Two million five hundred thousand (2,500,000) yen per share
	2. (No change.)
(Voting Rights)	*(Voting Rights)*
Article 14.	**Article 14.**
Unless otherwise provided for by laws or regulations, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders.	Unless otherwise provided for by laws or regulations, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the

event that no proposal for declaration of the Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of the Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Consolidation or Split of Preferred Shares and Subscription Rights, etc.)	*(Consolidation or Split of Preferred Shares and Subscription Rights, etc.)*
Article 15.	**Article 15.**
1. Unless otherwise provided for by laws or regulations, the Company shall not consolidate or split any Preferred Shares.	1. (No change.)
2. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares or bonds with stock acquisition rights.	2. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.
(Cancellation of Preferred Shares)	*(Cancellation of Preferred Shares)*
Article 16.	**Article 16.**
1. The Company may, at any time, purchase Preferred Shares at the purchase price thereof by appropriation of retained earnings distributable to shareholders and cancel them.	1. The Company may, at any time, purchase Preferred Shares and cancel them.
2. The Company may, at any time on and after January 21, 2004, redeem Class 1 Preferred Shares, in whole or in part, at three million (3,000,000) yen per share.	2. The purchase or cancellation of Preferred Shares pursuant to the preceding paragraph may be made in respect of any of one or more classes of Preferred Shares.
3. The Company may, after issuance of Class 3 Preferred Shares and after the lapse of the period designated by resolution of the Board of Directors adopted at the time of the issuance of such Preferred Shares, redeem the Class 3 Preferred Shares, in whole or in part, at such time and at such redemption price as deemed appropriate giving due consideration to the prevailing market conditions, as determined by such resolution of the Board of Directors.	3. In respect of Class 3 Preferred Shares, Class 5 Preferred Shares and/or Class 6 Preferred Shares, the Company may, after issuance of the respective Preferred Shares and after the lapse of the period designated by resolution of the Board of Directors adopted at the time of the issuance of respective Preferred Shares, redeem such Preferred Shares, in whole or in part, at such time and at such redemption price as deemed appropriate giving due consideration to the prevailing market conditions, as determined by such resolution of the Board of Directors.
	(Deleted.)

4. The cancellation of Preferred Shares pursuant to the first paragraph hereof may be made in respect of any of one or more classes of Class 1 Preferred Shares, Class 2 Preferred Shares, Class 3 Preferred Shares and Class 4 Preferred Shares.

4. (No change.)

5. Partial redemption shall be effected by way of lot or other method.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Conversion into Ordinary Shares)	*(Conversion into Ordinary Shares)*
Article 17.	**Article 17.**
1. Any holder of Class 2 Preferred Shares may request conversion of Class 2 Preferred Shares into Ordinary Shares of the Company pursuant to the terms of Article 1 of the Supplement to these Articles.	1. Any holder of Class 6 or Class 7 Preferred Shares may request conversion of such Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as determined by resolution of the Board of Directors adopted at the time of issuance of such Preferred Shares, pursuant to the terms of conversion as designated by such resolution.
2. Any holder of Class 4 Preferred Shares may request conversion of Class 4 Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request for conversion as determined by resolution of the Board of Directors adopted at the time of issuance of such Preferred Shares, pursuant to the terms of conversion as designated by such resolution.	(Deleted.)
(Mandatory Conversion)	*(Mandatory Conversion)*
Article 18.	**Article 18.**
1. Any of the Class 2 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holders of such Class 2 Preferred Shares is entitled to request conversion shall be mandatorily converted on the day immediately following the last day of such period (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to the second decimal place denominated in yen, and rounded up to one decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If the relevant average price is less than seven hundred fourteen thousand two hundred eighty-five (714,285) yen, the relevant Preferred Shares shall be converted into Ordinary Shares	1. Any of the Class 6 Preferred Shares or Class 7 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holders of such Preferred Shares is entitled to request conversion shall be mandatorily converted on the day immediately following the last day of such period (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per each relevant Preferred Share by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to the second decimal place denominated in yen, and rounded up to one decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If the relevant average price is less than the amount determined by

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
and fractional Ordinary Shares in the number as is	resolution of the Board of Directors adopted at the time of issuance of respective Preferred Shares, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per each relevant Preferred Shares by an amount so determined by such resolution of the Board of Directors.
obtained by dividing two million (2,000,000) yen by seven hundred fourteen thousand two hundred eighty-five (714,285) yen.	
	(Deleted.)
2. Any of Class 4 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holder of such Class 4 Preferred Shares is entitled to request conversion shall be mandatorily converted on the Mandatory Conversion Date into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per Class 4 Preferred Share by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to the second decimal place denominated in yen, and rounded up to one decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If the relevant average price is less than the amount as determined by resolution of the Board of Directors adopted at the time of issuance of the Class 4 Preferred Shares, which amount shall be no less than six hundred thousand (600,000) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number obtained by dividing an amount equivalent to the subscription price per Class 4 Preferred Share by an amount so determined by such resolution of the Board of Directors.	
	2. In the calculation of the number of Ordinary Shares provided for in the preceding paragraph, if any number less than one-hundredth (1/100) of one (1) share is yielded, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis.*
3. In the calculation of the number of Ordinary Shares provided for in the preceding two paragraphs, if any number less than one-hundredth (1/100) of one (1) share is yielded, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis.*	

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Order of Priority)	*(Order of Priority)*
Article 19.	**Article 19.**
The Class 1 Preferred Shares, Class 2 Preferred Shares, Class 3 Preferred Shares and Class 4 Preferred Shares shall rank *pari passu* with each other in respect of the payment of Preferred Dividends and Preferred Interim Dividends and the distribution of residual assets.	All classes of Preferred Shares shall rank *pari passu* with each other in respect of the payment of Preferred Dividends and Preferred Interim Dividends and the distribution of residual assets.
(Prescription Period)	*(Prescription Period)*
Article 20.	**Article 20.**
The provisions set forth in Article 39 of these Articles shall apply *mutatis mutandis* to the payment of Preferred Dividends and Preferred Interim Dividends.	(No change.)
CHAPTER IV. **GENERAL MEETING OF SHAREHOLDERS**	**CHAPTER IV.** **GENERAL MEETING OF SHAREHOLDERS**
(Convocation)	*(Convocation)*
Article 21.	**Article 21.**
1. An ordinary general meeting of shareholders shall be convened within three (3) months from the last day of each business year.	(No change.)
2. An extraordinary general meeting of shareholders shall be convened whenever necessary.	
(Chairman)	*(Chairman)*

Article 22.	**Article 22.**
1. The President and Director of the Company shall act as chairman of general meetings of shareholders.	(No change.)
2. If the President and Director is unable to act as such, one of the other Directors shall act as chairman in accordance with the order of priority previously determined by the Board of Directors.	

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Method of Resolution)	*(Method of Resolution)*
Article 23.	**Article 23.**
1. Unless otherwise provided for by law or regulation or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be adopted by an affirmative vote of a majority of the voting rights of the shareholders in attendance.	(No change.)
2. Resolutions of a general meeting of shareholders provided for in Article 343 of the Commercial Code and resolutions of a general meeting of shareholders for which the method of resolution provided for in such Article 343 shall be applied *mutatis mutandis* pursuant to the Commercial Code and other laws and regulations shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of the shareholders in attendance who hold in the aggregate not less than one-third (1/3) of the total number of voting rights of all shareholders.	
(Voting by Proxy)	*(Voting by Proxy)*
Article 24.	**Article 24.**
1. Shareholders may exercise their voting rights at a general meeting of shareholders by appointing a proxy who is a shareholder of the Company entitled to exercise its own voting rights at such meeting.	(No change.)
2. In the case of the preceding paragraph, the shareholder or the proxy thereof shall submit to the Company a document evidencing authority of the proxy to act as such at each general meeting of shareholders.	
(Minutes)	*(Minutes)*
Article 25.	**Article 25.**
The substance of proceedings and the results of general meetings of shareholders shall be stated or recorded in the minutes, to which the	(No change.)

chairman of the meeting and the Directors present shall put their names
and affix their seals or electronic signatures.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(General Meetings of Holders of Classes of Shares)	*(General Meetings of Holders of Classes of Shares)*
Article 26.	**Article 26.**
The provisions of Articles 22, 24 and 25 of these Articles shall apply *mutatis mutandis* to general meetings of class shareholders.	(No change.)
CHAPTER V. **DIRECTORS AND BOARD OF DIRECTORS**	**CHAPTER V.** **DIRECTORS AND BOARD OF DIRECTORS**
(Number of Directors and Method of Election)	*(Number of Directors and Method of Election)*
Article 27.	**Article 27.**
1. The Company shall have not more than fifteen (15) Directors, who shall be elected at a general meeting of shareholders.	(No change.)
2. A resolution for the election of Directors shall be adopted at a general meeting of shareholders by an affirmative vote of a majority of the voting rights of the shareholders in attendance who hold voting rights representing in the aggregate one-third (1/3) or more of the total number of voting rights of all shareholders.	
3. Resolutions for the election of Directors shall not be made by cumulative voting.	
(Term of Office)	*(Term of Office)*
Article 28.	**Article 28.**
The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders held in respect of the last fiscal term ending two (2) years after their assumption of office.	(No change.)

(Representative Director and Directors with Executive Power)	*(Representative Director and Directors with Executive Power)*
Article 29.	**Article 29.**
1. The Board of Directors shall, by resolution, elect Representative Director(s) from among the Directors.	(No change.)
2. Representative Directors shall severally represent the Company.	
3. The Board of Directors shall, by resolution, appoint the Chairman and Director and the President and Director.	
4. The Board of Directors may, by resolution, appoint several Deputy Presidents, Senior Managing Directors and Managing Directors.	

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Board of Directors)	*(Board of Directors)*
Article 30.	**Article 30.**
1. The Board of Directors shall determine the management of the affairs of the Company and supervise the performance of duties of Directors.	(No change.)
2. Unless otherwise provided for by laws and regulations, the Chairman and Director shall convene meetings of the Board of Directors and act as chairman. If the Chairman and Director is unable to act as such, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.	
3. Notice to convene a meeting of the Board of Directors shall be given to each Director and Corporate Auditor at least three (3) days prior to the date of such meeting; provided, however, that the foregoing shall not apply in cases of emergency.	
4. Unless otherwise provided for by law or regulation, resolutions of a meeting of the Board of Directors shall be adopted by an affirmative vote of a majority of the Directors present who constitute in number a majority of all the Directors of the Company.	
5. The substance of proceedings and the results of meetings of the Board of Directors shall be stated or recorded in the minutes, to which the Directors and Corporate Auditors present shall put their names and affix their seals or electronic signatures.	
CHAPTER VI. **CORPORATE AUDITORS AND** **BOARD OF CORPORATE AUDITORS**	**CHAPTER VI.** **CORPORATE AUDITORS AND** **BOARD OF CORPORATE AUDITORS**
(Number of Corporate Auditors and Method of Election)	*(Number of Corporate Auditors and Method of Election)*

Article 31.	**Article 31.**
1. The Company shall have not more than six (6) Corporate Auditors, who shall be elected at a general meeting of shareholders.	(No change.)
2. A resolution for the election of Corporate Auditors shall be adopted at a general meeting of shareholders by an affirmative vote of a majority of the voting rights of the shareholders in attendance, who hold voting rights representing in the aggregate one-third (1/3) or more of the total number of voting rights of all shareholders.	

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Term of Office)	*(Term of Office)*
Article 32.	**Article 32.**
The term of office of Corporate Auditors shall expire at the close of the ordinary general meeting of shareholders held in respect of the last fiscal term ending four (4) years after their assumption of office.	(No change.)
(Full-time Corporate Auditors)	*(Full-time Corporate Auditors)*
	Article 33.
Article 33.	
The Corporate Auditors shall appoint several full-time Corporate Auditors from among themselves.	(No change.)
(Board of Corporate Auditors)	*(Board of Corporate Auditors)*
Article 34.	**Article 34.**
1. The Board of Corporate Auditors shall have the authority provided for by law and regulation and also shall determine matters concerning the performance of duties by Corporate Auditors; provided, however, that the Board of Corporate Auditors shall not prevent the Corporate Auditors from exercising their power and authority.	(No change.)
2. Notice to convene a meeting of the Board of Corporate Auditors shall be given to each Corporate Auditor at least three (3) days prior to the date of such meeting; provided, however, that the foregoing shall not apply in cases of emergency.	
3. Unless otherwise provided for by law or regulation, resolutions of a meeting of the Board of Corporate Auditors shall be adopted by an affirmative vote of a majority of the Corporate Auditors.	

4. The substance of proceedings and the results of meetings of the Board of Corporate Auditors shall be stated or recorded in the minutes, to which the Corporate Auditors present shall put their names and affix their seals or electronic signatures.	
CHAPTER VII. **ACCOUNTS**	**CHAPTER VII.** **ACCOUNTS**
(Business Year and Fiscal Term)	*(Business Year and Fiscal Term)*
Article 35.	**Article 35.**
The business year of the Company shall commence on April 1 of each year and end on March 31 of the following year and the fiscal term of each business year shall be settled as of the last day of such business year.	(No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Dividends)	*(Dividends)*
Article 36.	**Article 36.**
The Company s dividends shall be paid to the shareholders or registered pledgees whose names have been entered or recorded in the latest register of shareholders as well as to the fractional shareholders whose names have been entered or recorded in the latest ledger of fractional shares as of March 31 of each year.	(No change.)
(Interim Dividends)	*(Interim Dividends)*
Article 37.	**Article 37.**
By resolution of the Board of Directors, the Company may pay cash pursuant to Article 293-5 of the Commercial Code (referred to as the Interim Dividends in these Articles of Incorporation) to the shareholders or registered pledgees whose names have been entered or recorded in the latest register of shareholders as well as to the fractional shareholders whose names have been entered or recorded in the latest ledger of fractional shares as of September 30 of each year.	(No change.)
(Conversion of Class 2 Preferred Shares or Class 4 Preferred Shares and Dividends)	*(Conversion of Preferred Shares and Dividends)*
Article 38.	**Article 38.**
For the purpose of payment of the first dividends or Interim Dividends payable on Ordinary Shares issued upon conversion of Class 2 Preferred Shares or Class 4 Preferred Shares issued by the Company, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.	For the purpose of payment of the first dividends or Interim Dividends payable on Ordinary Shares issued upon conversion of Class 6 Preferred Shares or Class 7 Preferred Shares issued by the Company, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.
(Prescription Period for Payment of Dividends)	*(Prescription Period for Payment of Dividends)*
Article 39.	**Article 39.**

The Company shall be released from the obligation to pay dividends or Interim Dividends the payment of which has not been accepted after the lapse of five (5) full years from the date of commencement of payment thereof. Dividends and Interim Dividends of the Company shall bear no interest.	(No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
SUPPLEMENT	(Deleted)

(Terms of Conversion of Class 2 Preferred Shares)

Article 1.

The terms of the conversion of Class 2 Preferred Shares provided for in Paragraph 1, Article 17 of these Articles shall be as follows:

1. Period during which a request for conversion may be made:

From July 31, 2003 until July 31, 2008 inclusive; provided, however, that if, in accordance with Paragraph 2, Article 7 of these Articles, the Company has fixed a date as the record date to determine the shareholders who are entitled to exercise their voting rights at a general meeting of shareholders, the period from the date immediately following such fixed date until the date on which such general meeting is concluded shall be excluded.

2. Terms of conversion:

A. Initial conversion price:

The initial conversion price shall be one million three hundred ninety-one thousand four hundred twenty-eight (1,391,428) yen.

B. Reset of conversion price:

The conversion price shall be reset to an amount obtained by multiplying the current market price of the Ordinary Shares on August 1 of each year from 2003 through 2007, inclusive (each hereinafter referred to as the Reset Date), by 1.02 (any fraction less than one (1) yen being raised to one (1) yen) (hereinafter referred to as the Current Market Price After

Reset) effective as from each relevant Reset Date. The term current market price means the average daily closing price (including closing bids or offered prices) of the Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading-days (excluding a trading-day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading-day prior to such Reset Date. The average daily closing price referred to above shall be calculated to the second decimal place denominated in yen and rounded up to the first decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. Notwithstanding the foregoing, if the relevant Current Market Price After

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation

Reset is above the initial conversion price, the conversion price shall be equal to the initial conversion price (hereinafter referred to as the Conversion Ceiling Price , which shall be subject to adjustment as set forth in subparagraph C. below), and if the relevant Current Market Price After Reset is below seven hundred fourteen thousand two hundred eighty-five (714,285) yen, the conversion price shall be seven hundred fourteen thousand two hundred eighty-five (714,285) yen (hereinafter referred to as the Conversion Floor Price , which shall be subject to adjustment as set forth in subparagraph C. below). If any of the events triggering adjustment of the conversion price as set forth in subparagraph C. below occurs during the above forty-five (45) trading-day period, the average price above shall be adjusted in a manner consistent with subparagraph C. below.

C. Adjustment of conversion price:

a. After issuance of the Preferred Shares, if any of the following events occurs, the conversion price (including the Conversion Ceiling Price and the Conversion Floor Price) shall be adjusted by the following formula (hereinafter referred to as the Conversion Price Adjustment Formula), and the conversion price so adjusted shall become effective as of the dates set forth in each of the following items; provided, however, that if the conversion price calculated by the Conversion Price Adjustment Formula is less than one hundred thousand (100,000) yen, the conversion price after adjustment shall be one hundred thousand (100,000) yen.

$$\text{Conversion price after adjustment} \equiv \text{Conversion price before adjustment} \times \frac{\text{Number of issued Ordinary Shares} + \text{Number of newly issued Ordinary Shares} \times \frac{\text{Subscription amount per share}}{\text{Current market price per share}}}{\text{Number of issued Ordinary Shares} + \text{Number of newly issued Ordinary Shares}}$$

(1) In the event that the Company issues Ordinary Shares for consideration of a subscription amount less than the current market price per share to be applied to the Conversion Price Adjustment Formula:

The conversion price after adjustment shall become effective as of the date immediately following the payment date for the issuance of such Ordinary Shares or as of the date immediately following the date (if set) for allotting such shares to shareholders.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(2) In case the Company issues Ordinary Shares by way of stock split:	
The conversion price after adjustment shall become effective as of the date immediately following the date set for allotting to the shareholders Ordinary Shares to be issued by way of stock split.	
However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable retained earnings to the stated capital, and the date set for allotting such Ordinary Shares to shareholders falls on or prior to the date of the close of the ordinary general meeting of shareholders held to approve the transfer of distributable retained earnings to the stated capital, the conversion price after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.	
(3) In the event that the Company issues securities entitling the holders thereof to convert such securities into Ordinary Shares or stock acquisition rights for new Ordinary Shares at a price less than the current market price per share to be applied to the Conversion Price Adjustment Formula:	
The conversion price after adjustment shall become effective as of the date immediately following the date of issuance of such securities or as of the date immediately following the date (if set) for allotting such securities to shareholders, on the assumption that all such securities are converted or all the stock acquisition rights attached to such securities are exercised on the date of issuance of such securities or as of such date set for allotting such securities, as the case may be.	
b. In addition to the situations set forth in clause C.a. above, if an adjustment of the conversion price (including the Conversion Ceiling Price and Conversion Floor Price) is required by virtue of any amalgamation or merger, capital decrease or consolidation of Ordinary Shares, etc., the conversion price shall be adjusted to such price as the Board of Directors of the Company determines appropriate.	
c. The current market price per share in the Conversion Price Adjustment Formula means the	

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
average daily closing price (including the closing bid or offered price) of the Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading-days (excluding a trading-day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th)trading-day prior to the date on which the conversion price after adjustment becomes effective (or, in the case referred to in the proviso of sub-clause C.a.(2) above, the date set for allotting Ordinary Shares to shareholders). The above price shall be calculated to the second decimal place denominated in yen and rounded up to the first decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If any of the events triggering adjustment of the conversion price as set forth in clauses C.a. or b. above occurs during the above forty-five (45) trading-day period, the conversion price after adjustment shall be adjusted in a manner consistent with clauses C.a. or b. above.	
d. The conversion price before adjustment in the Conversion Price Adjustment Formula means the conversion price effective as of the date immediately preceding the date on which the conversion price after adjustment becomes effective. The number of issued Ordinary Shares in the Conversion Price Adjustment Formula means the number of Ordinary Shares of the Company issued and outstanding on the date (if set) for allotment to shareholders, or if such date is not set, the date one calendar month prior to the date on which the conversion price after adjustment is to become effective.	
e. The subscription amount per share in the Conversion Price Adjustment Formula means, in case of sub-clause C.a.(1) above, such subscription amount (in case payment thereof is made by any assets other than cash, the fair value of the relevant assets), in case of sub-clause C.a.(2) above, zero (0) yen, and in case of sub-clause C.a.(3) above, the relevant conversion price or exercise price of such stock acquisition rights, as the case may be.	
f. The number of newly issued Ordinary Shares in the Conversion Price Adjustment Formula means in the case of sub-clauses C.a.(1) and (2), the number of Ordinary Shares issued in each case, and in the case of sub-clause C.a.(3), the number of Ordinary Shares deemed to be issued.	

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
g. Calculations in accordance with the Conversion Price Adjustment Formula shall be made to the second decimal place denominated in yen and rounded up to the first decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen.	
h. In the event that the difference between the conversion price after adjustment calculated by the Conversion Price Adjustment Formula and the conversion price before adjustment is less than one thousand (1,000) yen, no adjustment shall be made; provided, however, that if any event occurs thereafter that would require adjustment of the conversion price, such difference shall be deducted from the conversion price before adjustment in the Conversion Price Adjustment Formula in any subsequent calculation of the conversion price.	
D. Number of Ordinary Shares to be issued upon conversion:	
The number of Ordinary Shares to be issued upon conversion of the Preferred Shares shall be determined in accordance with the following formula:	

Number of Ordinary Shares to be issued upon conversion	=	**Number of Preferred Shares for which Preferred Shareholders are exercising their conversion rights**	×	**Two million (2,000,000) yen Conversion price**

In the calculation of the number of Ordinary Shares to be issued upon conversion, any fraction equivalent to the integral multiple of one one-hundredth of a share shall be entered or recorded in the ledger of fractional shares, and any fraction less than one one-hundredth of a share shall be raised to one one-hundredth.	

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(Attachment 2)

(Changes are indicated by underlines)

Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
CHAPTER I. **GENERAL PROVISIONS**	**CHAPTER I.** **GENERAL PROVISIONS**
(Trade Name)	*(Trade Name)*
Article 1.	**Article 1.**
The Company shall be called Kabushiki Kaisha Mitsubishi Tokyo Financial Group and shall be called in English Mitsubishi Tokyo Financial Group, Inc. (hereinafter referred to as the Company).	The Company shall be called Kabushiki Kaisha Mitsubishi UFJ Financial Group and shall be called in English Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Company).
Article 2. through **Article 3.**	**Article 2.** through **Article 3.**
(Omitted.)	(No change.)
(Method of Public Notice)	*(Method of Public Notice)*
Article 4.	**Article 4.**
Public notices of the Company shall be given in the *Nihon Keizai Shimbun* published in Tokyo.	Public notices of the Company shall be given in the *Nihon Keizai Shimbun*.

CHAPTER II.

SHARES

(Total Number of Shares Authorized to be Issued)

Article 5.

The aggregate number of shares authorized to be issued by the Company shall be twenty-two million nine hundred twenty thousand (22,920,000) shares, the details of which shall be as set forth below; provided, however, that if any number of the shares are cancelled or any number of Class 6 Preferred Shares or Class 7 Preferred Shares are converted into Ordinary Shares, such number shall be deducted accordingly from the relevant number of shares authorized to be issued.

Ordinary Shares:

twenty two million (22,000,000) shares

Class 3 Preferred Shares:

one hundred twenty thousand (120,000) shares

CHAPTER II.

SHARES

(Total Number of Shares Authorized to be Issued)

Article 5.

The aggregate number of shares authorized to be issued by the Company shall be thirty-four million six hundred twenty thousand eight (34,620,008) shares, the details of which shall be as set forth below; provided, however, that if any number of the shares are cancelled or any number of Class 6 Preferred Shares through Class 12 Preferred Shares are converted into Ordinary Shares, such number shall be deducted accordingly from the relevant number of shares authorized to be issued.

Ordinary Shares:

thirty-three million (33,000,000) shares

Class 3 Preferred Shares:

one hundred twenty thousand (120,000) shares

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
Class 5 Preferred Shares:	Class 5 Preferred Shares:
four hundred thousand (400,000) shares	four hundred thousand (400,000) shares
Class 6 Preferred Shares:	Class 6 Preferred Shares:
two hundred thousand (200,000) shares	two hundred thousand (200,000) shares
Class 7 Preferred Shares:	Class 7 Preferred Shares:
two hundred thousand (200,000) shares	two hundred thousand (200,000) shares
	Class 8 Preferred Shares:
	two hundred thousand (200,000) shares
	Class 9 Preferred Shares:
	one hundred fifty thousand (150,000) shares
	Class 10 Preferred Shares:
	one hundred fifty thousand (150,000) shares
	Class 11 Preferred Shares:

	eight (8) shares
	Class 12 Preferred Shares:
	two hundred thousand (200,000) shares
(Purchase of Own Shares)	*(Purchase of Own Shares)*
Article 6.	**Article 6.**
(Omitted.)	(No change.)
Article 7. through **Article 10.**	**Article 7.** through **Article 10.**
(Omitted.)	(No change.)

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
CHAPTER III	**CHAPTER III**
PREFERRED SHARES	**PREFERRED SHARES**
(Preferred Dividends)	*(Preferred Dividends)*
Article 11.	**Article 11.**
1. The Company shall pay dividends on Preferred Shares (hereinafter referred to as the Preferred Dividends) in such respective amount as prescribed below to the holders of Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 hereof have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth below for each relevant class of Preferred Shares.	1. The Company shall pay dividends on Preferred Shares (hereinafter referred to as the Preferred Dividends) in such respective amount as prescribed below to the holders of Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 hereof have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth below for each relevant class of Preferred Shares.
Class 3 Preferred Shares:	Class 3 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year
Class 5 Preferred Shares:	Class 5 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 5 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 5 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year
	Class 6 Preferred Shares:

Class 6 Preferred Shares:

Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 6 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 6 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
Class 7 Preferred Shares:	Class 7 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 7 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 7 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year
	Class 8 Preferred Shares:
	Fifteen thousand nine hundred (15,900) yen per share per year
	Class 9 Preferred Shares:
	Eighteen thousand six hundred (18,600) yen per share per year
	Class 10 Preferred Shares:
	Nineteen thousand four hundred (19,400) yen per share per year
	Class 11 Preferred Shares:
	Five thousand three hundred (5,300) yen per share per year
	Class 12 Preferred Shares:
	Eleven thousand five hundred (11,500) yen per share per year

2. through 3.	2. through 3.
(Omitted.)	(No change.)
(Preferred Interim Dividends)	*(Preferred Interim Dividends)*
Article 12.	**Article 12.**
1. In the event of payment of Interim Dividends provided for in Article 37 of these Articles (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in such respective amount as prescribed below for each Class of Preferred Shares to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.	1. In the event of payment of Interim Dividends provided for in Article 38 of these Articles (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in such respective amount as prescribed below for each Class of Preferred Shares to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
Class 3 Preferred Shares:	Class 3 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to one hundred and twenty-five thousand (125,000) yen per share	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to one hundred and twenty-five thousand (125,000) yen per share
Class 5 Preferred Shares:	Class 5 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 5 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 5 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share
Class 6 Preferred Shares:	Class 6 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 6 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 6 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share
Class 7 Preferred Shares:	Class 7 Preferred Shares:
Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 7 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 7 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share
	Class 8 Preferred Shares:
	Seven thousand nine hundred fifty (7,950) yen per share

Class 9 Preferred Shares:

Nine thousand three hundred (9,300) yen per share

Class 10 Preferred Shares:

Nine thousand seven hundred (9,700) yen per share

Class 11 Preferred Shares:

Two thousand six hundred fifty (2,650) yen per share

Class 12 Preferred Shares:

Five thousand seven hundred fifty (5,750) yen per share

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
(Distribution of Residual Assets)	*(Distribution of Residual Assets)*
Article 13.	**Article 13.**
1. If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in such respective amount as prescribed below.	1. If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in such respective amount as prescribed below.
Class 3 Preferred Shares:	Class 3 Preferred Shares:
Two million five hundred thousand (2,500,000) yen per share	Two million five hundred thousand (2,500,000) yen per share
Class 5 Preferred Shares:	Class 5 Preferred Shares:
Two million five hundred thousand (2,500,000) yen per share	Two million five hundred thousand (2,500,000) yen per share
Class 6 Preferred Shares:	Class 6 Preferred Shares:
Two million five hundred thousand (2,500,000) yen per share	Two million five hundred thousand (2,500,000) yen per share
Class 7 Preferred Shares:	Class 7 Preferred Shares:
Two million five hundred thousand (2,500,000) yen per share	Two million five hundred thousand (2,500,000) yen per share

	Class 8 Preferred Shares:
	Three million (3,000,000) yen per share
	Class 9 Preferred Shares:
	Two million (2,000,000) yen per share
	Class 10 Preferred Shares:
	Two million (2,000,000) yen per share
	Class 11 Preferred Shares:
	One million (1,000,000) yen per share
	Class 12 Preferred Shares:
	One million (1,000,000) yen per share
2.	2.
(Omitted.)	(No change.)

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
Article 14. through **Article 16**	**Article 14.** through **Article 16**
(Omitted.)	(No change.)
(Conversion into Ordinary Shares)	*(Conversion into Ordinary Shares)*
Article 17.	**Article 17.**
1.	1.
(Omitted.)	(No change.)
(Newly established.)	2. Any holder of Class 8 Preferred Shares through Class 12 Preferred Shares may request conversion of the relevant preferred shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as prescribed in the merger agreement, the execution of which, in accordance with the provisions of Article 408 of the Commercial Code, was approved at the respective general meetings of shareholders of the Company and UFJ Holdings, Inc., pursuant to the terms of conversion prescribed in such merger agreement.
(Mandatory Conversion)	*(Mandatory Conversion)*
Article 18.	**Article 18.**
1.	1.
(Omitted.)	(No change.)
(Newly established.)	2. Any of the Class 8 Preferred Shares through Class 12 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holder of such Preferred Shares is entitled to request for conversion shall be mandatorily converted on the Mandatory Conversion Date into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per each

relevant Preferred Share by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
	Conversion Date; provided, however, that such calculation shall be made to units of ten (10) denominated in Yen, and rounded up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen. If the relevant average price is less than such respective amount as set forth below, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per each relevant Preferred Share by such respective amount as set forth below.
	Class 8 Preferred Shares:
	One million two hundred nine thousand seven hundred (1,209,700) yen per share
	Class 9 Preferred Shares:
	Nine hundred ten thousand five hundred (910,500) yen per share
	Class 10 Preferred Shares:
	Nine hundred ten thousand five hundred (910,500) yen per share
	Class 11 Preferred Shares:
	Eight hundred two thousand six hundred (802,600) yen per share
	Class 12 Preferred Shares:

	Seven hundred ninety-five thousand two hundred (795,200) yen per share
(Newly established.)	3. In respect of Class 8 Preferred Shares through Class 12 Preferred Shares, the amount equivalent to the subscription price referred to in the preceding paragraph shall be such respective amount as prescribed below.
	Class 8 Preferred Shares:
	Three million (3,000,000) yen per share
	Class 9 Preferred Shares:
	Two million (2,000,000) yen per share

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
	Class 10 Preferred Shares:
	Two million (2,000,000) yen per share
	Class 11 Preferred Shares:
	One million (1,000,000) yen per share
	Class 12 Preferred Shares:
	One million (1,000,000) yen per share
2. In the calculation of the number of Ordinary Shares provided for in the preceding paragraph, if any number less than one-hundredth (1/100) of one (1) share is yielded, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.	4. In the calculation of the number of Ordinary Shares provided for in Paragraph 1 and Paragraph 2 of this article, if any number less than one-hundredth (1/100) of one (1) share is yielded, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.
(Order of Priority)	*(Order of Priority)*
Article 19.	**Article 19.**
(Omitted.)	(No change.)
(Prescription Period)	*(Prescription Period)*
Article 20.	**Article 20.**
The provisions set forth in Article 39 of these Articles shall apply *mutatis mutandis* to the payment of Preferred Dividends and Preferred Interim Dividends.	The provisions set forth in Article 40 of these Articles shall apply *mutatis mutandis* to the payment of Preferred Dividends and Preferred Interim Dividends.

CHAPTER IV.	**CHAPTER IV.**
GENERAL MEETING OF SHAREHOLDERS	**GENERAL MEETING OF SHAREHOLDERS**
Article 21. through **Article 26.**	**Article 21.** through **Article 26.**
(Omitted.)	(No change.)
CHAPTER V.	**CHAPTER V.**
DIRECTORS AND BOARD OF DIRECTORS	**DIRECTORS AND BOARD OF DIRECTORS**
(Number of Directors and Method of Election)	*(Number of Directors and Method of Election)*
Article 27.	**Article 27.**
1. The Company shall have not more than fifteen (15) Directors, who shall be elected at a general meeting of shareholders.	1. The Company shall have not more than twenty (20) Directors, who shall be elected at a general meeting of shareholders.

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
2. through 3.	2. through 3.
(Omitted.)	(No change.)
(Term of Office)	*(Term of Office)*
Article 28.	**Article 28.**
The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders held in respect of the last fiscal term ending two (2) years after their assumption of office.	The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders held in respect of the last fiscal term ending one (1) year after their assumption of office.
(Representative Director and Directors with Executive Power)	*(Representative Director and Directors with Executive Power)*
Article 29.	**Article 29.**
1.	1.
(Omitted.)	(No change.)
2.	2.
(Omitted.)	(No change.)
3. The Board of Directors shall, by resolution, appoint the Chairman and Director and the President and Director.	3. The Board of Directors shall, by resolution, appoint the President and Director.
4. The Board of Directors may, by resolution, appoint several Deputy Presidents, Senior Managing Directors and Managing Directors.	4. The Board of Directors may, by resolution, appoint the Chairman and Director, several Deputy Chairman and Directors, Deputy Presidents, Senior Managing Directors and Managing Directors.
(Board of Directors)	*(Board of Directors)*

Article 30.	**Article 30.**
1.	1.
(Omitted.)	(No change.)
2. Unless otherwise provided for by laws and regulations, the Chairman and Director shall convene meetings of the Board of Directors and act as chairman. If the Chairman and Director is unable to act as such, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.	2. Unless otherwise provided for by laws and regulations, the Chairman and Director shall convene meetings of the Board of Directors and act as chairman. If the Chairman and Director is unable to act as such, or if the Board of Directors does not appoint the Chairman and Director by its resolution, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
3. through 5.	3. through 5.
(Omitted.)	(No change.)
(Newly established.)	*(Limited Liability Agreement with Outside Director)*
	Article 31.
	Pursuant to the provisions of Article 266, Paragraph 19 of the Commercial Code, the Company may execute agreements with Outside Directors, which limit the liability of such outside Directors arising from any act provided for in Paragraph 1, Item 5 of the said article; provided, however, that the limit of the liability under such agreements shall be the greater of an amount determined in advance which shall not be less than ten million (10,000,000) yen or the amount prescribed by laws or regulations.
CHAPTER VI. **CORPORATE AUDITORS AND** **BOARD OF CORPORATE AUDITORS**	**CHAPTER VI.** **CORPORATE AUDITORS AND** **BOARD OF CORPORATE AUDITORS**
(Number of Corporate Auditors and Method of Election)	*(Number of Corporate Auditors and Method of Election)*
Article 31.	**Article 32.**
1. The Company shall have not more than six (6) Corporate Auditors, who shall be elected at a general meeting of shareholders.	1. The Company shall have not more than seven (7) Corporate Auditors, who shall be elected at a general meeting of shareholders.
2.	2.
(Omitted.)	(No change.)

Article 32. through **Article 34.**	**Article 33.** through **Article 35.**
(Omitted.)	(No change.)
CHAPTER VII.	**CHAPTER VII.**
ACCOUNTS	**ACCOUNTS**
Article 35. through **Article 37.**	**Article 36.** through **Article 38.**
(Omitted.)	(No change.)

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Articles of Incorporation as Amended as Described in Attachment 1	Proposed Amendment of Articles of Incorporation
(Conversion of Preferred Shares and Dividends)	*(Conversion of Preferred Shares and Dividends)*
Article 38.	**Article 39.**
For the purpose of payment of the first dividends or Interim Dividends payable on the Ordinary Shares issued upon conversion of Class 6 Preferred Shares or Class 7 Preferred Shares issued by the Company, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.	For the purpose of payment of the first dividends or Interim Dividends payable on the Ordinary Shares issued upon conversion of Class 6 Preferred Shares through Class 12 Preferred Shares issued by the Company, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.
(Prescription Period for Payment of Dividends)	*(Prescription Period for Payment of Dividends)*
Article 39.	**Article 40.**
(Omitted.)	(No change.)
	End
(Newly established.)	**SUPPLEMENT**
	(Application of Term of Office of Directors)
	Article 1
	The provisions of Article 28 hereof shall apply to Directors who are appointed at the ordinary general meeting of shareholders held in respect of the fourth (4th) business year and thereafter.

End

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(Attachment 3)

(Changes are indicated by underlines)

Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
CHAPTER I.	**CHAPTER I.**
GENERAL PROVISIONS	**GENERAL PROVISIONS**
(Trade Name)	*(Trade Name)*
Article 1.	**Article 1.**
The Company shall be called Kabushiki Kaisha Mitsubishi Tokyo Financial Group and shall be rendered in English as Mitsubishi Tokyo Financial Group, Inc. (hereinafter referred to as the Company).	The Company shall be called Kabushiki Kaisha Mitsubishi UFJ Financial Group and shall be rendered in English as Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Company).
Article 2. through **Article 3.**	**Article 2.** through **Article 3.**
(Omitted.)	(No change.)
(Method of Public Notice)	*(Method of Public Notice)*
Article 4.	**Article 4.**
Public notices of the Company shall be given in the *Nihon Keizai Shimbun* published in Tokyo.	Public notices of the Company shall be given in the *Nihon Keizai Shimbun.*
CHAPTER II.	**CHAPTER II.**
SHARES	**SHARES**
(Total Number of Shares Authorized to be Issued)	*(Total Number of Shares Authorized to be Issued)*

Article 5.

The aggregate number of shares authorized to be issued by the Company shall be twenty-two million four hundred twenty-one thousand four hundred (22,421,400) shares, twenty-two million (22,000,000) of which being Ordinary Shares, eighty-one thousand four hundred (81,400) of which being Class 1 Preferred Shares, one hundred thousand (100,000) of which being Class 2 Preferred Shares, one hundred twenty thousand (120,000) of which being Class 3 Preferred Shares, and one hundred twenty thousand (120,000) of which being Class 4 Preferred Shares; provided, however, that if any number of the shares are cancelled or any number of Class 2 Preferred Shares or Class 4 Preferred Shares are converted into Ordinary Shares, such number shall accordingly be deducted accordingly from the relevant number of shares authorized to be issued.

Article 5.

The aggregate number of shares authorized to be issued by the Company shall be thirty-three million nine hundred forty thousand eight (33,940,008) shares, the details of which shall be as set forth below; provided, however, that if any number of the shares are cancelled or any number of Class 4 Preferred Shares or Class 8 Preferred Shares through Class 12 Preferred Shares are converted into Ordinary Shares, such number shall be deducted accordingly from the relevant number of shares authorized to be issued.

Ordinary Shares:

thirty-three million (33,000,000) shares

Class 3 Preferred Shares:

one hundred twenty thousand (120,000) shares

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
	Class 4 Preferred Shares:
	one hundred twenty thousand (120,000) shares
	Class 8 Preferred Shares:
	two hundred thousand (200,000) shares
	Class 9 Preferred Shares:
	one hundred fifty thousand (150,000) shares
	Class 10 Preferred Shares:
	one hundred fifty thousand (150,000) shares
	Class 11 Preferred Shares:
	eight (8) shares
	Class 12 Preferred Shares:
	two hundred thousand (200,000) shares
(Purchase of Own Shares)	*(Purchase of Own Shares)*
Article 6.	**Article 6.**
The Company may purchase its own Ordinary Shares by resolution of the Board of Directors.	1. (No change.)

(Newly established.)	2. If the Company purchases its own Ordinary Shares and/or any class of Preferred Shares by resolution of an ordinary general meeting of shareholders, such purchase may be made in respect of any of one or more classes of the shares. In case of such purchase, shareholders who hold shares other than those being subject to the relevant purchase are not entitled to make a request as provided for by Article 210, Paragraph 7 of the Commercial Code.
(Newly established.)	3. If the Company cancels its own Ordinary Shares and/or any class of Preferred Shares, such cancellation may be made in respect of any of one or more classes of the shares.
Article 7. through **Article 10.**	**Article 7.** through **Article 10.**
(Omitted.)	(No change.)
CHAPTER III **PREFERRED SHARES**	**CHAPTER III** **PREFERRED SHARES**
(Preferred Dividends)	*(Preferred Dividends)*
Article 11.	**Article 11.**
1. The Company shall pay dividends on Preferred Shares (hereinafter referred to as the Preferred	1. The Company shall pay dividends on Preferred Shares (hereinafter referred to as the Preferred

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
Dividends) in the amount of eighty-two thousand five hundred (82,500) yen per Class 1 Preferred share per year and in the amount of sixteen thousand two hundred (16,200) yen per Class 2 Preferred share per year, to the holders of Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 hereof have been paid in the relevant business year, the amount so paid shall be bdeducted accordingly from the amount of the Preferred Dividends set forth above for each relevant class of Preferred Shares.	Dividends) in such respective amount as prescribed below to the holders of Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, in the event that the Preferred Interim Dividends provided for in Article 12 hereof have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth below for each relevant class of Preferred Shares. Class 3 Preferred Shares: Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to two hundred fifty thousand (250,000) yen per share per year Class 4 Preferred Shares: Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 4 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share per year Class 8 Preferred Shares: Fifteen thousand nine hundred (15,900) yen per share per year Class 9 Preferred Shares: Eighteen thousand six hundred (18,600) yen per share per year

Class 10 Preferred Shares:

Nineteen thousand four hundred (19,400) yen per share per year

Class 11 Preferred Shares:

Five thousand three hundred (5,300) yen per share per year

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
	Class 12 Preferred Shares:
2. The Company shall pay the Preferred Dividends for Class 3 or Class 4 Preferred Shares in such amount as determined by resolution of the Board of Directors adopted at the time of issuance of the relevant Preferred Shares, up to two hundred fifty thousand (250,000) yen per Class 3 Preferred share per year and up to one hundred twenty-five thousand (125,000) yen per Class 4 Preferred share per year, respectively, to the Preferred Shareholders or Registered Preferred Pledgees whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders; provided, however, that in the event that the Preferred Interim Dividends provided for in Article 12 of these Articles have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends set forth above for each relevant class of Preferred Shares.	Eleven thousand five hundred (11,500) yen per share per year
	(Deleted.)
3. through 4.	2. through 3.
(Omitted.)	(No change.)
(Preferred Interim Dividends)	*(Preferred Interim Dividends)*
Article 12.	**Article 12.**
1. In the event of payment of Interim Dividends provided for in Article 37 of these Articles (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of forty-one thousand two hundred fifty (41,250) yen per Class 1 Preferred Share and in the amount of eight thousand one hundred (8,100) yen per Class 2 Preferred Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.	1. In the event of payment of Interim Dividends provided for in Article 38 of these Articles (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in such respective amount as prescribed below for each class of Preferred Shares to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.
	Class 3 Preferred Shares:
	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 3 Preferred Shares, up to one hundred twenty-five thousand (125,000) yen per share

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
	Class 4 Preferred Shares:
	Amount to be determined by resolution of the Board of Directors adopted at the time of issuance of the Class 4 Preferred Shares, up to sixty-two thousand five hundred (62,500) yen per share
	Class 8 Preferred Shares:
	Seven thousand nine hundred fifty (7,950) yen per share
	Class 9 Preferred Shares:
	Nine thousand three hundred (9,300) yen per share
	Class 10 Preferred Shares:
	Nine thousand seven hundred (9,700) yen per share
	Class 11 Preferred Shares:
	Two thousand six hundred fifty (2,650) yen per share
	Class 12 Preferred Shares:
	Five thousand seven hundred fifty (5,750) yen per share
2. In the event of payment of Interim Dividends for Class 3 or Class 4 Preferred Shares provided for in Article 37 of these Articles, the Company shall pay the Preferred Interim Dividends in such amount as	(Deleted.)

determined by resolution of the Board of Directors adopted at the time of issuance of the relevant Preferred Shares up to one hundred twenty-five thousand (125,000) yen per Class 3 Preferred Share and up to sixty-two thousand five hundred (62,500) yen per Class 4 Preferred Share, respectively, to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Distribution of Residual Assets)	*(Distribution of Residual Assets)*
Article 13.	**Article 13.**
1. If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders, in the amount of three million (3,000,000) yen per Class 1 Preferred Share, two million (2,000,000) yen per Class 2 Preferred Share, two million five hundred thousand (2,500,000) yen per Class 3 Preferred Share and two million five hundred thousand (2,500,000) yen per Class 4 Preferred Share.	1. If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in such respective amount as prescribed below: Class 3 Preferred Shares: Two million five hundred thousand (2,500,000) yen per share Class 4 Preferred Shares: Two million five hundred thousand (2,500,000) yen per share Class 8 Preferred Shares: Three million (3,000,000) yen per share Class 9 Preferred Shares: Two million (2,000,000) yen per share Class 10 Preferred Shares:

	Two million (2,000,000) yen per share
	Class 11 Preferred Shares:
	One million (1,000,000) yen per share
	Class 12 Preferred Shares:
	One million (1,000,000) yen per share
2.	2.
(Omitted.)	(No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Voting Rights)	*(Voting Rights)*
Article 14.	**Article 14.**
Unless otherwise provided for by laws or regulations, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders.	Unless otherwise provided for by laws or regulations, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the event that no proposal for declaration of the Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of the Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.
(Consolidation or Split of Preferred Shares and Subscription Rights, etc.)	*(Consolidation or Split of Preferred Shares and Subscription Rights, etc.)*
Article 15.	**Article 15.**
1.	1.
(Omitted.)	(No change.)
2. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, or bonds with stock acquisition rights.	2. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.
(Cancellation of Preferred Shares)	*(Cancellation of Preferred Shares)*
Article 16.	**Article 16.**

1. The Company may, at any time, purchase Preferred Shares at the purchase price thereof by appropriation of retained earnings distributable to shareholders and cancel them.	1. The Company may, at any time, purchase Preferred Shares and cancel them.
2. The Company may, at any time on and after January 21, 2004, redeem Class 1 Preferred Shares, in whole or in part, at three million (3,000,000) yen per share.	2. The purchase or cancellation of Preferred Shares pursuant to the preceding paragraph may be made in respect of any of one or more classes of Preferred Shares.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
3.	3.
(Omitted.)	(No change.)
4. The cancellation of Preferred Shares pursuant to the first paragraph hereof may be made in respect of any of one or more classes of Class 1 Preferred Shares, Class 2 Preferred Shares, Class 3 Preferred Shares and Class 4 Preferred Shares.	(Deleted.)
5. Partial redemption shall be effected by way of lot or other method.	4. (No change.)
(Conversion into Ordinary Shares)	*(Conversion into Ordinary Shares)*
Article 17.	**Article 17.**
1. Any holder of Class 2 Preferred Shares may request conversion of Class 2 Preferred Shares into Ordinary Shares of the Company pursuant to the terms of Article 1 of the Supplement to these Articles.	1. Any holder of Class 4 Preferred Shares may request conversion of Class 4 Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as determined by resolution of the Board of Directors adopted at the time of issuance of such Preferred Shares, pursuant to the terms of conversion as designated by such resolution.
2. Any holder of Class 4 Preferred Shares may request conversion of Class 4 Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as determined by resolution of the Board of Directors adopted at the time of issuance of such Preferred Shares, pursuant to the terms of conversion as designated by such resolution.	2. Any holder of Class 8 Preferred Shares through Class 12 Preferred Shares may request conversion of the relevant preferred shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as prescribed in the merger agreement, the execution of which, in accordance with the provisions of Article 408 of the Commercial Code, was approved at the respective general meetings of shareholders of the Company and UFJ Holdings, Inc., pursuant to the terms of conversion prescribed in such merger agreement.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Mandatory Conversion)	*(Mandatory Conversion)*
Article 18.	**Article 18.**
1. Any of the Class 2 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holder of such Class 2 Preferred Shares is entitled to request conversion shall be mandatorily converted on the day immediately following the last day of such period (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to the second decimal place denominated in yen, and rounded up to one decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If the relevant average price is less than seven hundred fourteen thousand two hundred eighty-five (714,285) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by seven hundred fourteen thousand two hundred eighty-five (714,285) yen.	1. Any of the Class 4 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holder of such Preferred Shares is entitled to request conversion shall be mandatorily converted on the day immediately following the last day of such period (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing the amount equivalent to the subscription price per each Class 4 Preferred Share by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to the second decimal place denominated in yen, and rounded up to one decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If the relevant average price is less than the amount as determined by resolution of the Board of Directors adopted at the time of issuance of the Class 4 Preferred Shares, which amount shall be no less than six hundred thousand (600,000) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per share of each Class 4 Preferred Share by an amount so determined by such resolution of the Board of Directors.
2. Any of the Class 4 Preferred Shares for which no request for conversion into Ordinary Shares is made during the period in which the holder of such Class 4 Preferred Shares is entitled to request conversion shall be mandatorily converted on the Mandatory Conversion Date into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per Class 4 Preferred Share by the average	2. Any of the Class 8 Preferred Shares through Class 12 Preferred Shares, for which no request for conversion into Ordinary Shares is made during the period in which such Preferred Shareholder is entitled to request conversion shall be mandatorily converted on the Mandatory Conversion Date into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing an amount equivalent to the subscription price per share of

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to the second decimal place denominated in yen, and rounded up to one decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If the relevant average price is less than the amount as determined by resolution of the Board of Directors adopted at the time of issuance of the Class 4 Preferred Shares, which amount shall be no less than six hundred thousand (600,000) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing the amount equivalent to the subscription price per Class 4 Preferred Share by an amount so determined by such resolution of the Board of Directors.	relevant Preferred Share by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such calculation shall be made to units of ten (10) denominated in yen, and rounded up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen. If the relevant average price is less than such respective amount as set forth below, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing the amount equivalent to the subscription price per share of relevant Preferred Shares by such respective amount as set forth below.
	Class 8 Preferred Shares:
	One million two hundred nine thousand seven hundred (1,209,700) yen per share
	Class 9 Preferred Shares:
	Nine hundred ten thousand five hundred (910,500) yen per share
	Class 10 Preferred Shares:
	Nine hundred ten thousand five hundred (910,500) yen per share
	Class 11 Preferred Shares:
	Eight hundred two thousand six hundred (802,600) yen per share

Class 12 Preferred Shares:

Seven hundred ninety-five thousand two hundred (795,200) yen per share

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Newly established.)	3. In respect of Class 8 Preferred Shares through Class 12 Preferred Shares, the amount equivalent to the subscription price referred to in the preceding paragraph shall be such respective amount as prescribed below.
	Class 8 Preferred Shares:
	Three million (3,000,000) yen per share
	Class 9 Preferred Shares:
	Two million (2,000,000) yen per share
	Class 10 Preferred Shares:
	Two million (2,000,000) yen per share
	Class 11 Preferred Shares:
	One million (1,000,000) yen per share
	Class 12 Preferred Shares:
	One million (1,000,000) yen per share
3. In the calculation of the number of Ordinary Shares provided for in the preceding two paragraphs, if any number less than one-hundredth (1/100) of one (1) share is yielded, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.	4. In the calculation of the number of Ordinary Shares provided for in Paragraph 1 and Paragraph 2 of this article, if any number less than one-hundredth (1/100) of one (1) share is yielded, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.

(Order of Priority)

Article 19.

The Class 1 Preferred Shares, Class 2 Preferred Shares, Class 3 Preferred Shares and Class 4 Preferred Shares shall rank *pari passu* with each other in respect of the payment of Preferred Dividends and Preferred Interim Dividends and the distribution of residual assets.

(Prescription Period)

Article 20.

The provisions set forth in Article 39 of these Articles shall apply *mutatis mutandis* to the payment of Preferred Dividends and Preferred Interim Dividends.

(Order of Priority)

Article 19

All classes of Preferred Shares shall rank *pari passu* with each other in respect of the payment of Preferred Dividends and Preferred Interim Dividends and the distribution of residual assets.

(Prescription Period)

Article 20.

The provisions set forth in Article 40 of these Articles shall apply *mutatis mutandis* to the payment of Preferred Dividends and Preferred Interim Dividends.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
CHAPTER IV.	**CHAPTER IV.**
GENERAL MEETING OF SHAREHOLDERS	**GENERAL MEETING OF SHAREHOLDERS**
Article 21. through **Article 26.**	**Article 21.** through **Article 26.**
(Omitted.)	(No change.)
CHAPTER V.	**CHAPTER V.**
DIRECTORS AND BOARD OF DIRECTORS	**DIRECTORS AND BOARD OF DIRECTORS**
(Number of Directors and Method of Election)	*(Number of Directors and Method of Election)*
Article 27.	**Article 27.**
1. The Company shall have not more than fifteen (15) Directors, who shall be elected at a general meeting of shareholders.	1. The Company shall have not more than twenty (20) Directors, who shall be elected at a general meeting of shareholders.
2. through 3.	2. through 3.
(Omitted.)	(No change.)
(Term of Office)	*(Term of Office)*
Article 28.	**Article 28.**
The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders held in respect of the last fiscal term ending two (2) years after their assumption of office.	The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders held in respect of the last fiscal term ending one (1) year after their assumption of office.

(Representative Director and Directors with Executive Power)	*(Representative Director and Directors with Executive Power)*
Article 29.	**Article 29.**
1.	1.
(Omitted.)	(No change.)
2.	2.
(Omitted.)	(No change.)
3. The Board of Directors shall, by resolution, appoint the Chairman and Director and the President and Director.	3. The Board of Directors shall, by resolution, appoint the President and Director.
4. The Board of Directors may, by resolution, appoint several Deputy Presidents, Senior Managing Directors and Managing Directors.	4. The Board of Directors may, by resolution, appoint the Chairman and Director, several Deputy Chairman and Directors, Deputy Presidents, Senior Managing Directors and Managing Directors.

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
(Board of Directors)	*(Board of Directors)*
Article 30.	**Article 30.**
1.	1.
(Omitted.)	(No change.)
2. Unless otherwise provided for by laws and regulations, the Chairman and Director shall convene meetings of the Board of Directors and act as chairman. If the Chairman and Director is unable to act as such, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.	2. Unless otherwise provided for by laws and regulations, the Chairman and Director shall convene meetings of the Board of Directors and act as chairman. If the Chairman and Director is unable to act as such, or if the Board of Directors does not appoint the Chairman and Director by its resolution, one of the other Directors shall act as Chairman and Director in accordance with the order of priority previously determined by the Board of Directors.
3. through 5.	3. through 5.
(Omitted.)	(No change.)
(Newly established.)	*(Limited Liability Agreement with Outside Director)*
	Article 31.
	Pursuant to the provisions of Article 266, Paragraph 19 of the Commercial Code, the Company may execute agreements with outside Directors which limit the liability of such outside Directors arising from any act provided for in Paragraph 1, Item 5 of the said Article; provided, however, that the limit of the liability under such agreements shall be the greater of an amount determined in advance which shall not be less than ten million (10,000,000) yen or the amount prescribed by laws or regulations.
CHAPTER VI.	**CHAPTER VI.**

CORPORATE AUDITORS AND **BOARD OF CORPORATE AUDITORS**	**CORPORATE AUDITORS AND** **BOARD OF CORPORATE AUDITORS**
(Number of Corporate Auditors and Method of Election)	*(Number of Corporate Auditors and Method of Election)*
Article 31.	**Article 32.**
1. The Company shall have not more than six (6) Corporate Auditors, who shall be elected at a general meeting of shareholders.	1. The Company shall have not more than seven (7) Corporate Auditors, who shall be elected at a general meeting of shareholders.
2. (Omitted.)	2. (No change.)

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Current Articles of Incorporation	Proposed Amendment of Articles of Incorporation
Article 32. through **Article 34.**	**Article 33.** through **Article 35.**
(Omitted.)	(No change.)
CHAPTER VII. **ACCOUNTS**	**CHAPTER VII.** **ACCOUNTS**
Article 35. through **Article 37.**	**Article 36.** through **Article 38.**
(Omitted.)	(No change.)
(Conversion of Class 2 Preferred Shares or Class 4 Preferred Shares and Dividends)	*(Conversion of Preferred Shares and Dividends)*
Article 38.	**Article 39.**
For the purpose of payment of the first dividends or Interim Dividends payable on the Ordinary Shares issued upon conversion of Class 2 Preferred Shares or Class 4 Preferred Shares issued by the Company, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.	For the purpose of payment of the first dividends or Interim Dividends payable on the Ordinary Shares issued upon conversion of Class 4 Preferred Shares or Class 8 Preferred Shares through Class 12 Preferred Shares issued by the Company, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.
(Prescription Period for Payment of Dividends)	*(Prescription Period for Payment of Dividends)*
Article 39.	**Article 40.**
(Omitted.)	(No change.)
SUPPLEMENT	**SUPPLEMENT**
(Terms of Conversion of Class 2 Preferred Shares)	*(Application of Term of Office of Directors)*

Article 1.

The terms of the conversion of Class 2 Preferred Shares provided for in Paragraph 1, Article 17 of these Articles shall be as follows:

1. Period during which a request for conversion may be made:

From July 31, 2003 until July 31, 2008 inclusive; provided, however, that if, in accordance with Paragraph 2, Article 7 of these Articles, the Company has fixed a date as the record date to determine the shareholders who are entitled to exercise their voting

Article 1

The provisions of Article 28 hereof shall apply to Directors who are appointed at the ordinary general meeting of shareholders held in respect of the fourth (4th) business year and thereafter.

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rights at a general meeting of shareholders, the period from the date immediately following such fixed date until the date on which such general meeting is concluded shall be excluded.

2. Terms of conversion:

A. Initial conversion price:

The initial conversion price shall be one million three hundred ninety-one thousand four hundred twenty-eight (1,391,428) yen.

B. Reset of conversion price:

The conversion price shall be reset to an amount obtained by multiplying the current market price of the Ordinary Shares on August 1 of each year from 2003 through 2007, inclusive (each hereinafter referred to as the Reset Date), by 1.02 (any fraction less than one (1) yen being raised to one (1) yen); hereinafter referred to as the Current Market Price After Reset) effective as from each Reset Date. The term current market price means the average daily closing price (including closing bids or offered prices) of the Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading-days (excluding a trading-day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading-day prior to such Reset Date. The average daily trading price referred to above shall be calculated to the second decimal place denominated in yen and rounded up to the first decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. Notwithstanding the foregoing, if the relevant Current Market Price After Reset is above the initial conversion price, the conversion price shall be equal to the initial conversion price (hereinafter referred to as the Conversion Ceiling Price , which shall be subject to adjustment as set forth in subparagraph C. below), and if the relevant Current Market Price After Reset is below seven hundred fourteen thousand two hundred eighty-five (714,285) yen, the conversion price after reset shall be seven hundred fourteen thousand two hundred eighty-five (714,285) yen (hereinafter referred to as the Conversion Floor Price , which shall be subject to adjustment as set forth in subparagraph C. below). If any of the events triggering adjustment of the conversion price as set forth in subparagraph C.

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below occurs during the above forty-five (45) trading-day period, the average price above shall be adjusted in a manner consistent with subparagraph C. below.

C. Adjustment of conversion price:

a. After issuance of the Preferred Shares, if any of the following events occurs, the conversion price (including the Conversion Ceiling Price and the Conversion Floor Price) shall be adjusted by the following formula (hereinafter referred to as the Conversion Price Adjustment Formula), and the conversion price so adjusted shall become effective as of the dates set forth in each of the following items; provided, however, that if the conversion price calculated by the Conversion Price Adjustment Formula is less than one hundred thousand (100,000) yen, the conversion price after adjustment shall be one hundred thousand (100,000) yen.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued Ordinary Shares}}{\text{Number of issued Ordinary Shares} \pm \text{Number of newly issued Ordinary Shares}} \times \frac{\text{Subscription amount per share}}{\text{Current market price per share}}$$

(1) In the event that the Company issues Ordinary Shares for consideration of a subscription amount less than the current market price per share to be applied to the Conversion Price Adjustment Formula:

The conversion price after adjustment shall become effective as of the date immediately following the payment date for the issuance of such Ordinary Shares or as of the date immediately following the date (if set) for allotting such shares to shareholders.

(2) In case the Company issues Ordinary Shares by way of stock split:

The conversion price after adjustment shall become effective as of the date immediately following the date set for allotting to the shareholders Ordinary Shares to be issued by way of stock split.

However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable retained earnings to the stated

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capital, and the date set for allotting such Ordinary Shares to shareholders falls on or prior to the date of the close of the ordinary general meeting of shareholders held to approve the transfer of distributable retained earnings to the stated capital, the conversion price after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.	
(3) In the event that the Company issues securities entitling the holders thereof to convert such securities into Ordinary Shares or stock acquisition rights for new Ordinary Shares at a price less than the current market price per share to be applied to the Conversion Price Adjustment Formula:	
The conversion price after adjustment shall become effective as of the date immediately following the date of issuance of such securities or as of the date immediately following the date (if set) for allotting such securities to shareholders, on the assumption that all such securities are converted or all the stock acquisition rights attached to such securities are exercised on the date of issuance of such securities or as of such date set for allotting such securities, as the case may be.	
b. In addition to the situations set forth in clause C.a. above, if an adjustment of the conversion price (including the Conversion Ceiling Price and Conversion Floor Price) is required by virtue of any amalgamation or merger, capital decrease or consolidation of Ordinary Shares, etc., the conversion price shall be adjusted to such price as the Board of Directors of the Company determines appropriate.	
c. The current market price per share in the Conversion Price Adjustment Formula means the average daily closing price (including the closing bid or offered price) of the Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading-days (excluding a trading-day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading-day prior to the date on which the conversion price after adjustment becomes effective (or, in the case referred to in the proviso of sub-clause C.a.(2) above, the date set for allotting Ordinary Shares to	

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shareholders). The above price shall be calculated to the second decimal place denominated in yen and rounded up to the first decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen. If any of the events triggering adjustment of the conversion price as set forth in clauses C.a. or b. above occur during the above forty-five (45) trading-day period, the conversion price after adjustment shall be adjusted in a manner consistent with clauses C.a. or b. above.	
d. The "conversion price before adjustment" in the Conversion Price Adjustment Formula means the conversion price effective as of the date immediately preceding the date on which the conversion price after adjustment becomes effective. The "number of issued Ordinary Shares" in the Conversion Price Adjustment Formula means the number of Ordinary Shares of the Company issued and outstanding on the date (if set) for allotment to shareholders, or if such date is not set, the date one calendar month prior to the date on which the conversion price after adjustment is to become effective.	
e. The "subscription amount per share" in the Conversion Price Adjustment Formula means, in case of sub-clause C.a.(1) above, such subscription amount (in case payment thereof is made by any assets other than cash, the fair value of the relevant assets), in case of sub-clause C.a.(2) above, zero (0) yen, and in case of sub-clause C.a.(3) above, the relevant conversion price or exercise price of such stock acquisition rights, as the case may be.	
f. The "number of newly issued Ordinary Shares" in the Conversion Price Adjustment Formula means in the case of sub-clauses C.a.(1) and (2), the number of Ordinary Shares issued in each case, and in the case of sub-clause C.a.(3), the number of Ordinary Shares deemed to be issued.	
g. Calculations in accordance with the Conversion Price Adjustment Formula shall be made to the second decimal place denominated in yen and rounded up to the first decimal place when the fraction beyond it is equal to or more than 0.05 yen, discarding amounts less than 0.05 yen.	
h. In the event that the difference between the conversion price after adjustment calculated by the	

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Conversion Price Adjustment Formula and the conversion price before adjustment is less than one thousand (1,000) yen, no adjustment shall be made; provided, however, that if any event occurs thereafter that would require adjustment of the conversion price, such difference shall be deducted from the conversion price before adjustment in the Conversion Price Adjustment Formula in any subsequent calculation of the conversion price.

D. Number of Ordinary Shares to be issued upon conversion:

The number of Ordinary Shares to be issued upon conversion of the Preferred Shares shall be determined in accordance with the following formula:

$$\text{Number of Ordinary Shares to be issued upon conversion} = \frac{\text{Number of Preferred Shares for which Preferred Shareholders are Exercising Their Conversion rights} \times \text{Two million (2,000,000) yen}}{\text{Conversion price}}$$

In the calculation of the number of Ordinary Shares to be issued upon conversion, any fraction equivalent to the integral multiple of one one-hundredth of a share shall be entered or recorded in the ledger of fractional shares, and any fraction less than one one-hundredth of a share shall be raised to one one-hundredth.

- End -

- End -

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(Attachment 4)

Terms and Conditions to Issuance of Preferred Shares

Class 8 Preferred Shares

(1) Name of Preferred Shares

Class 8 Preferred Shares of Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Preferred Shares)

(2) Number of Shares to be Issued

The number of the Preferred Shares to be issued upon the merger shall be two hundred thousand (200,000) shares; provided, however, that if any number of the Series 2 Class 2 Preferred Shares issued by UFJ Holdings, Inc. are converted to Ordinary Shares of UFJ Holdings, Inc. on and after April 1, 2005, to and including the day immediately preceding the scheduled merger date, such number shall be deducted accordingly from the number of the Preferred Shares to be issued in connection with the merger set forth above.

(3) Method of Issuance

The Preferred Shares shall be issued in connection with the merger by way of allotment to the holders of the Series 2 Class 2 Preferred Shares of UFJ Holdings, Inc. at a ratio of one (1) Preferred Share to one (1) Series 2 Class 2 Preferred Share of UFJ Holdings, Inc.

(4) Matters concerning the Preferred Shares

A. Preferred Dividends

(A) Preferred Dividends

The Company shall pay dividends on the Preferred Shares (hereinafter referred to as the Preferred Dividends) in the amount of fifteen thousand nine hundred (15,900) yen per Preferred Share per year to the holders of the Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of

Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in (D) below have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends indicated above. The Preferred Dividends for the period on and after the issuance date of Preferred Shares to and including March 31, 2006 shall be fifteen thousand nine hundred (15,900) yen per Preferred Share.

(B) Non-cumulation Clause

If the aggregate amount paid to a Preferred Shareholder or Registered Preferred Pledgee as dividends in any particular business year is less than the amount of the Preferred Dividends indicated above, the unpaid amount shall not be carried over to or cumulated in subsequent business years.

(C) Non-participation Clause

The Company shall not pay to any Preferred Shareholder or Registered Preferred Pledgee as dividends any amount in excess of the prescribed amount of the Preferred Dividends indicated above.

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(D) Preferred Interim Dividends

In the event of payment of interim dividends (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of seven thousand nine hundred fifty (7,950) yen per one (1) Preferred Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

B. Distribution of Residual Assets

If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in the amount of three million (3,000,000) yen per Preferred Share. The Company shall not make a distribution of residual assets other than as provided for above to the Preferred Shareholders or Registered Preferred Pledgees.

C. Order of Priority

The Preferred Shares shall rank *pari passu* with any other class of preferred shares issued by the Company in respect of the payment of the Preferred Dividends and the Preferred Interim Dividends and the distribution of residual assets.

D. Cancellation

The Company may, at any time, purchase Preferred Shares and cancel them.

E. Voting Rights

Unless otherwise provided for by law or regulation, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the event that no proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.

F. Consolidation or Split of Preferred Shares and Subscription Rights, etc.

Unless otherwise provided for by law or regulation, the Company shall not consolidate or split any Preferred Shares. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.

G. Conversion into Ordinary Shares

Any Preferred Shareholder may request conversion of Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as provided for in (A) below, pursuant to the terms of conversion as provided for in (B) below. The details are as follows:

(A) Period during which Preferred Shareholders are Entitled to Request Conversion

On and after the issuance date of the Preferred Shares to and including July 31, 2008

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(B) Terms of Conversion

a. Initial Conversion Price

The initial conversion price shall be the amount obtained by dividing the conversion price of the Series 2 Class 2 Preferred Shares of UFJ Holdings, Inc. effective as of the date immediately preceding the date of the merger by 0.62 (calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen).

b. Reset of Conversion Price

The conversion price shall be reset on August 1, 2006 and August 1, 2007 (each, hereinafter referred to as the Reset Date) to the amount obtained by multiplying the average daily closing price (including closing bids or offered prices) of the Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the relevant Reset Date by 1.025 (calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen); provided, however, that if the conversion price so calculated is less than one million six hundred ninety-three thousand and five hundred (1,693,500) yen (subject to any adjustment in accordance with c. below) (hereinafter referred to as the Conversion Floor Price), the conversion price shall be the Conversion Floor Price. If, during the above-described forty-five (45) trading day period, any event has occurred which would require an adjustment in accordance with c. below, the average price above shall be adjusted in a manner consistent with c. below.

c. Adjustment of Conversion Price

(a) After the issuance of the Preferred Shares, the conversion price (including the Conversion Floor Price) will be adjusted in accordance with the following formula (hereinafter referred to as the Conversion Price Adjustment Formula) in the event any of the items set forth below occurs; provided, however, that if the conversion price when adjusted in accordance with the Conversion Price Adjustment Formula is less than one hundred thousand (100,000) yen, the conversion price after adjustment shall be one hundred thousand (100,000) yen.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of Ordinary Shares already issued} + \dfrac{\text{Number of Ordinary Shares to be newly issued or transferred} \times \text{Subscription price or transfer price per share}}{\text{Current market price per share}}}{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred}}$$

(i) In the event that the Company issues Ordinary Shares or transfers Ordinary Shares held by the Company at a subscription price or transfer price less than the current market price to be used in the Conversion Price Adjustment Formula (except for any issuance or transfer by virtue of conversion of securities convertible into Ordinary Shares or the exercise of stock acquisition rights):

The conversion price after adjustment shall become effective as of the date immediately following the payment date or as of the date immediately following the date (if set) for the allotment of such Ordinary Shares to shareholders.

(ii) In the event that the Company issues Ordinary Shares by way of a stock split:

The conversion price after adjustment shall become effective as of the date immediately following the date set for the allotment to shareholders of such Ordinary Shares to be issued by way of a stock split.

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However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable profits to the stated capital and the date set for the allotment of such Ordinary Shares to shareholders falls on or prior to the date of the closing of the relevant ordinary general meeting of shareholders held to approve the transfer of distributable profits to the stated capital, the conversion price after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.

(iii) In the event that the Company issues securities (interests) convertible into Ordinary Shares or securities (interests) with rights to acquire Ordinary Shares, in either case, at a price less than the current market price to be applied to the Conversion Price Adjustment Formula:

The conversion price after adjustment shall become effective as of the date immediately following the date of issuance of such securities (interests) or as of the date immediately following the date (if set) for the allotment of such securities (interests) to shareholders, on the assumption that all such securities (interests) are converted or all the stock acquisition rights attached to such securities (interests) are exercised on the date of issuance of such securities (interests) or at the close of the date set for the allotment of such securities (interests), as the case may be.

(b) In addition to the events set forth above, if an adjustment of the conversion price (including the Conversion Floor Price) is required by virtue of any amalgamation or merger, capital reduction, or consolidation of Ordinary Shares, etc., the conversion price shall be adjusted to such price as the Board of Directors of the Company determines appropriate.

(c) The Current market price per share in the Conversion Price Adjustment Formula means the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the date on which the conversion price after adjustment becomes effective (or, in the case as provided for in the proviso of c. (a) (ii) above, the date set for the allotment of Ordinary Shares to shareholders), calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

If any of the events of adjustment of conversion price as set forth in c. (a) or (b) above occurs during the above forty-five (45) trading day period, the conversion price after adjustment shall be adjusted in a manner consistent with c. (a) or (b) above.

(d) The Conversion price before adjustment in the Conversion Price Adjustment Formula means the conversion price in effect on the date immediately preceding the date on which the conversion price after adjustment becomes effective, and the Number of Ordinary Shares already issued in the Conversion Price Adjustment Formula means the number of Ordinary Shares of the Company issued and outstanding (excluding the number of Ordinary Shares held by the Company) on the date (if set) for the allotment to shareholders, or if such date is not set, on the date one (1) calendar month prior to the date on which the conversion price after adjustment is to become effective.

(e) The Subscription price per share in the Conversion Price Adjustment Formula means (1) in the event that the Company issues Ordinary Shares with a subscription price less than the current market price as set forth in c. (a) (i) above, such subscription price (in the event that payment thereof is made by any consideration other than cash, the fair value of such consideration), (2) in the event that the Company issues Ordinary Shares by way of a stock

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split as set forth in c. (a) (ii) above, zero, and (3) in the event that the Company issues securities (interests) convertible into Ordinary Shares or securities (interests) with rights to acquire Ordinary Shares at a price less than the current market price as set forth in c. (a) (iii) above, the relevant conversion or exercise price.

(f) The result of the calculation by the Conversion Price Adjustment Formula shall be rounded up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

(g) In the event that the difference between the conversion price after adjustment calculated by the Conversion Price Adjustment Formula and the conversion price before adjustment is less than one thousand (1,000) yen, no adjustment shall be made; provided, however, that if any event occurs thereafter that would require adjustment of the conversion price, when calculating the conversion price, such difference shall be deducted from the conversion price before adjustment in the Conversion Price Adjustment Formula.

d. Number of Ordinary Shares to be Issued upon Conversion

The number of the Ordinary Shares to be issued upon conversion of the Preferred Shares shall be as follows:

$$\text{Number of the Ordinary Shares to be issued upon conversion} = \text{Number of the Preferred Shares presented for conversion by their holders} \times \frac{\text{3,000,000 yen}}{\text{Conversion price}}$$

In the calculation of the number of the Ordinary Shares to be issued upon conversion, it shall be calculated to the third decimal place and such third decimal place shall be rounded up to the nearest second decimal place.

(C) Shares to be Issued upon Conversion

Ordinary Shares of Mitsubishi UFJ Financial Group, Inc.

(D) The First Dividends after Conversion

For the purpose of payment of the first dividends or interim dividends payable on the Ordinary Shares issued upon conversion of the Preferred Shares, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.

H. Mandatory Conversion

Any Preferred Shares for which no request for conversion into Ordinary Shares is made on or before July 31, 2008 shall be mandatorily converted on August 1, 2008 (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing three million (3,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such average daily closing price shall be calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen. If the relevant average price is less than one million two hundred nine thousand seven hundred (1,209,700) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing three million (3,000,000) yen by one million two hundred nine thousand seven hundred (1,209,700) yen. In the calculation of the number of Ordinary Shares provided for above, if any number less than one-hundredth (1/100) of one (1) share results, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.

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(Attachment 5)

Terms and Conditions to Issuance of Preferred Shares

Class 9 Preferred Shares

(1) Name of Preferred Shares

Class 9 Preferred Shares of Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Preferred Shares)

(2) Number of Shares to be Issued

The number of the Preferred Shares to be issued upon the merger shall be one hundred fifty thousand (150,000) shares; provided, however, that if any number of the Series 4 Class 4 Preferred Shares issued by UFJ Holdings, Inc. are converted to Ordinary Shares of UFJ Holdings, Inc. on and after April 1, 2005, to and including the day immediately preceding the scheduled merger date, such number shall be deducted accordingly from the number of the Preferred Shares to be issued in connection with the merger set forth above.

(3) Method of Issuance

The Preferred Shares shall be issued in connection with the merger by way of allotment to the holders of the Series 4 Class 4 Preferred Shares of UFJ Holdings, Inc. at a ratio of one (1) Preferred Share to one (1) Series 4 Class 4 Preferred Share of UFJ Holdings, Inc.

(4) Matters concerning the Preferred Shares

A. Preferred Dividends

(A) Preferred Dividends

The Company shall pay dividends on the Preferred Shares (hereinafter referred to as the Preferred Dividends) in the amount of eighteen thousand six hundred (18,600) yen per Preferred Share per year to the holders of the Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of

Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees in respect of Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in (D) below have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends indicated above. The Preferred Dividends for the period on and after the issuance date of Preferred Shares to and including March 31, 2006 shall be eighteen thousand six hundred (18,600) yen per Preferred Share.

(B) Non-cumulation Clause

If the aggregate amount paid to a Preferred Shareholder or Registered Preferred Pledgee as dividends in any particular business year is less than the amount of the Preferred Dividends indicated above, the unpaid amount shall not be carried over to or cumulated in subsequent business years.

(C) Non-participation Clause

The Company shall not pay to any Preferred Shareholder or Registered Preferred Pledgee as dividends any amount in excess of the prescribed amount of the Preferred Dividends indicated above.

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(D) Preferred Interim Dividends

In the event of payment of interim dividends (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of nine thousand three hundred (9,300) yen per Preferred Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

B. Distribution of Residual Assets

If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in the amount of two million (2,000,000) yen per Preferred Share. The Company shall not make a distribution of residual assets other than as provided for above to the Preferred Shareholders or Registered Preferred Pledgees.

C. Order of Priority

The Preferred Shares shall rank *pari passu* with any other class of preferred shares issued by the Company in respect of the payment of the Preferred Dividends and the Preferred Interim Dividends and the distribution of residual assets.

D. Cancellation

The Company may, at any time, purchase Preferred Shares and cancel them.

E. Voting Rights

Unless otherwise provided for by law or regulation, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the event that no proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.

F. Consolidation or Split of Preferred Shares and Subscription Rights, etc.

Unless otherwise provided for by law or regulation, the Company shall not consolidate or split any Preferred Shares. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.

G. Conversion into Ordinary Shares

Any Preferred Shareholder may request conversion of Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as provided for in (A) below, pursuant to the terms of conversion as provided for in (B) below. The details are as follows:

(A) Period during which Preferred Shareholders are Entitled to Request Conversion

On and after the issue date of the Preferred Shares to and including March 30, 2009

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(B) Terms of Conversion

a. Initial Conversion Ratio

The Preferred Shares may be converted into Ordinary Shares of the Company at the following conversion ratio per Preferred Share (hereinafter referred to as the Initial Conversion Ratio):

Initial Conversion Ratio = 2.197

b. Reset of Conversion Ratio

The Initial Conversion Ratio shall be reset on October 5 of each year from 2005 through and including 2008 (each, hereinafter referred to as the Reset Date) to such conversion ratio as calculated by the following formula (hereinafter referred to as the Conversion Ratio After Reset). The Conversion Ratio After Reset shall be calculated to the fourth decimal place and rounded up to the nearest third decimal place when the fraction beyond it is equal to or more than 0.0005, discarding fractions less than 0.0005.

$$\text{Conversion Ratio After Reset} = \frac{2{,}000{,}000 \text{ yen}}{\text{Current market price} \times 1.035}$$

However, if any amount less than one thousand (1,000) yen is produced by the calculation of the current market price multiplied by 1.035, such amount shall be rounded up to the nearest one thousand (1,000) yen. If as a result of the above calculation the Conversion Ratio After Reset exceeds 2.197 (subject to any adjustment in accordance with c. below) (hereinafter referred to as the Conversion Ceiling Ratio), the Conversion Ratio After Reset shall be the Conversion Ceiling Ratio. The Current market price in the above formula shall be the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the relevant Reset Date, calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

c. Adjustment of Conversion Ratio

(a) After the issuance of the Preferred Shares, the conversion ratio as set forth in a. and b. above will be adjusted in accordance with the following formula (hereinafter referred to as the Conversion Ratio Adjustment Formula) in the event any of the items set forth below occurs; provided, however, that if the conversion ratio calculated by the Conversion Ratio Adjustment Formula exceeds forty (40), the conversion ratio after adjustment shall be forty (40). The conversion ratio after adjustment shall be calculated to the fourth decimal place and rounded up to the nearest third decimal place when the fraction beyond it is equal to or more than 0.0005, discarding fractions less than 0.0005.

$$\text{Conversion ratio after adjustment} = \text{Conversion ratio before adjustment} \times \frac{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred} \times \frac{\text{Subscription price or transfer price}}{\text{Number of Ordinary Shares already issued}}}{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly}}$$

issued or transferred × per share Current market price

(i) In the event that the Company issues Ordinary Shares or transfers Ordinary Shares held by the Company at a subscription price or transfer price less than the current market price to be used in the Conversion Ratio Adjustment Formula (except for any issuance or transfer by virtue of conversion of securities convertible into Ordinary Shares or the exercise of stock acquisition rights):

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The conversion ratio after adjustment shall become effective as of the date immediately following the payment date or as of the date immediately following the date (if set) for the allotment of such Ordinary Shares to shareholders.

(ii) In the event that the Company issues Ordinary Shares by way of a stock split:

The conversion ratio after adjustment shall become effective as of the date immediately following the date set for the allotment to shareholders of such Ordinary Shares to be issued by way of a stock split.

However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable profits to the stated capital and the date set for the allotment of such Ordinary Shares to shareholders falls on or prior to the date of the closing of the relevant ordinary general meeting of shareholders held to approve the transfer of distributable profits to the stated capital, the conversion ratio after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.

(iii) In the event that the Company issues securities (interests) convertible into Ordinary Shares of the Company or securities (interests) with rights to acquire Ordinary Shares, in either case, at a price less than the current market price to be applied to the Conversion Ratio Adjustment Formula:

The conversion ratio after adjustment shall become effective as of the date immediately following the date of issuance of such securities (interests) or as of the date immediately following the date (if set) for the allotment of such securities (interests) to shareholders, on the assumption that all such securities (interests) are converted or all the stock acquisition rights attached to such securities (interests) are exercised on the date of issuance of such securities (interests) or at the close of the date set for the allotment of such securities (interests), as the case may be.

(b) In addition to the events set forth above, if an adjustment of the conversion ratio is required by virtue of any amalgamation or merger, capital reduction, or consolidation of shares, etc., the conversion ratio shall be adjusted to such ratio as the Board of Directors of the Company determines appropriate.

(c) The Current market price in the Conversion Ratio Adjustment Formula means the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the date on which the conversion ratio after adjustment becomes effective (or, in the case as provided for in the proviso of c. (a) (ii) above, the date set for the allotment of Ordinary Shares to shareholders), calculated by rounding to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

(d) The Conversion ratio before adjustment in the Conversion Ratio Adjustment Formula means the conversion ratio in effect on the date immediately preceding the date on which the conversion ratio after adjustment becomes effective, and the Number of Ordinary Shares already issued in the Conversion Ratio Adjustment Formula means the number of shares of the Company issued and outstanding (excluding the number of Ordinary Shares held by the Company) on the date (if set) for the allotment to shareholders, or if such date is not set, on the date one (1) calendar month prior to the date on which the conversion ratio after adjustment is to become effective.

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d. Number of Ordinary Shares to be Issued upon Conversion

The number of the Ordinary Shares to be issued upon conversion of the Preferred Shares shall be as follows:

Number of the Ordinary Shares to be issued upon conversion	=	Number of the Preferred Shares presented for conversion by their holders	x	Conversion ratio

In the calculation of the number of the Ordinary Shares to be issued upon conversion, it shall be calculated to the third decimal place and such third decimal place shall be rounded up to the nearest second decimal place.

(C) Shares to be Issued upon Conversion

Ordinary Shares of Mitsubishi UFJ Financial Group, Inc.

(D) The First Dividends after Conversion

For the purpose of payment of the first dividends or interim dividends payable on the Ordinary Shares issued upon conversion of the Preferred Shares, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.

H. Mandatory Conversion

Any Preferred Shares for which no request for conversion into Ordinary Shares is made on or before March 30, 2009 shall be mandatorily converted on March 31, 2009 (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such average daily closing price shall be calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen. If the relevant average price is less than nine hundred ten thousand five hundred (910,500) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by nine hundred ten thousand five hundred (910,500) yen. In the calculation of the number of Ordinary Shares provided for above, if any number less than one-hundredth (1/100) of one (1) share results, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.

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(Attachment 6)

Terms and Conditions to Issuance of Preferred Shares

Class 10 Preferred Shares

(1) Name of Preferred Shares

Class 10 Preferred Shares of Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Preferred Shares)

(2) Number of Shares to be Issued

The number of the Preferred Shares to be issued upon the merger shall be one hundred fifty thousand (150,000) shares; provided, however, that if any number of the Series 5 Class 5 Preferred Shares issued by UFJ Holdings, Inc. are converted to Ordinary Shares of UFJ Holdings, Inc. on and after April 1, 2005, to and including the day immediately preceding the scheduled merger date, such number shall be deducted accordingly from the number of the Preferred Shares to be issued in connection with the merger set forth above.

(3) Method of Issuance

The Preferred Shares shall be issued in connection with the merger by way of allotment to the holders of the Series 5 Class 5 Preferred Shares of UFJ Holdings, Inc. at a ratio of one (1) Preferred Share to one (1) Series 5 Class 5 Preferred Share of UFJ Holdings, Inc.

(4) Matters concerning the Preferred Shares

A. Preferred Dividends

(A) Preferred Dividends

The Company shall pay dividends on the Preferred Shares (hereinafter referred to as the Preferred Dividends) in the amount of nineteen thousand four hundred (19,400) yen per Preferred Share per year to the holders of the Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of

Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in (D) below have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends indicated above. The Preferred Dividends for the period on and after the issuance date of Preferred Shares to and including March 31, 2006 shall be nineteen thousand four hundred (19,400) yen per Preferred Share.

(B) Non-cumulation Clause

If the aggregate amount paid to a Preferred Shareholder or Registered Preferred Pledgee as dividends in any particular business year is less than the amount of the Preferred Dividends indicated above, the unpaid amount shall not be carried over to or cumulated in subsequent business years.

(C) Non-participation Clause

The Company shall not pay to any Preferred Shareholder or Registered Preferred Pledgee as dividends any amount in excess of the prescribed amount of the Preferred Dividends indicated above.

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(D) Preferred Interim Dividends

In the event of payment of interim dividends (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of nine thousand seven hundred (9,700) yen per Preferred Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

B. Distribution of Residual Assets

If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in the amount of two million (2,000,000) yen per Preferred Share. The Company shall not make a distribution of residual assets other than as provided for above to the Preferred Shareholders or Registered Preferred Pledgees.

C. Order of Priority

The Preferred Shares shall rank *pari passu* with any other class of preferred shares issued by the Company in respect of the payment of the Preferred Dividends and the Preferred Interim Dividends and the distribution of residual assets.

D. Cancellation

The Company may, at any time, purchase Preferred Shares and cancel them.

E. Voting Rights

Unless otherwise provided for by law or regulation, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the event that no proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.

F. Consolidation or Split of Preferred Shares and Subscription Rights, etc.

Unless otherwise provided for by law or regulation, the Company shall not consolidate or split any Preferred Shares. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.

G. Conversion into Ordinary Shares

Any Preferred Shareholder may request conversion of Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as provided for in (A) below, pursuant to the terms of conversion as provided for in (B) below. The details are as follows:

(A) Period During which Preferred Shareholders are Entitled to Request Conversion

On and after the issuance date of the Preferred Shares to and including March 30, 2009

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(B) Terms of Conversion

a. Initial Conversion Ratio

The Preferred Shares may be converted into Ordinary Shares of the Company at the following conversion ratio per Preferred Share (hereinafter referred to as the Initial Conversion Ratio):

Initial Conversion Ratio = 2.197

b. Reset of Conversion Ratio

The Initial Conversion Ratio shall be reset on October 5 of each year from 2005 through and including 2008 (each, hereinafter referred to as the Reset Date) to such conversion ratio as calculated by the following formula (hereinafter referred to as the Conversion Ratio After Reset). The Conversion Ratio After Reset shall be calculated to the fourth decimal place and rounded up to the nearest third decimal place when the fraction beyond it is equal to or more than 0.0005, discarding fractions less than 0.0005.

$$\text{Conversion Ratio After Reset} = \frac{2{,}000{,}000 \text{ yen}}{\text{Current market price} \times 1.035}$$

However, if any amount less than one thousand (1,000) yen is produced by the calculation of the current market price multiplied by 1.035, such amount shall be rounded up to the nearest one thousand (1,000) yen. If as a result of the above calculation, the Conversion Ratio After Reset exceeds 2.197 (subject to any adjustment in accordance with c. below) (hereinafter referred to as the Conversion Ceiling Ratio), the Conversion Ratio After Reset shall be the Conversion Ceiling Ratio. The Current market price in the above formula shall be the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the relevant Reset Date, calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

c. Adjustment of Conversion Ratio

(a) After the issuance of the Preferred Shares, the conversion ratio as set forth in a. and b. above will be adjusted in accordance with the following formula (hereinafter referred to as the Conversion Ratio Adjustment Formula) in the event of any of the items set forth below occurs; provided, however, that if the conversion ratio calculated by the Conversion Ratio Adjustment Formula exceeds forty (40), the conversion ratio after adjustment shall be forty (40). The conversion ratio after adjustment shall be calculated to the fourth decimal place and rounded up to the nearest third decimal place when the fraction beyond it is equal to or more than 0.0005, discarding fractions less than 0.0005.

$$\text{Conversion ratio after adjustment} = \text{Conversion ratio before adjustment} \times \frac{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred}}{}$$

Number of Ordinary Shares already issued	+	Number of Ordinary Shares to be newly issued or transferred	x	Subscription price or transfer price per share
		Current market price		

(i) In the event that the Company issues Ordinary Shares or transfers Ordinary Shares held by the Company at a subscription price or transfer price less than the current market

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price to be used in the Conversion Ratio Adjustment Formula (except for any issuance or transfer by virtue of conversion of securities convertible into Ordinary Shares or the exercise of stock acquisition rights):

The conversion ratio after adjustment shall become effective as of the date immediately following the payment date or as of the date immediately following the date (if set) for the allotment of such Ordinary Shares to shareholders.

(ii) In the event that the Company issues Ordinary Shares by way of a stock split:

The conversion ratio after adjustment shall become effective as of the date immediately following the date set for the allotment to shareholders of such Ordinary Shares to be issued by way of a stock split.

However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable profits to the stated capital and the date set for the allotment of such Ordinary Shares to shareholders falls on or prior to the date of the closing of the relevant ordinary general meeting of shareholders held to approve the transfer of distributable profits to the stated capital, the conversion ratio after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.

(iii) In the event that the Company issues securities (interests) convertible into Ordinary Shares of the Company or securities (interests) with rights to acquire Ordinary Shares, in either case, at a price less than the current market price to be applied to the Conversion Ratio Adjustment Formula:

The conversion ratio after adjustment shall become effective as of the date immediately following the date of issuance of such securities (interests) or as of the date immediately following the date (if set) for the allotment of such securities (interests) to shareholders, on the assumption that all such securities (interests) are converted or all the stock acquisition rights attached to such securities (interests) are exercised on the date of issuance of such securities (interests) or at the close of the date set for the allotment of such securities (interests), as the case may be.

(b) In addition to the events set forth above, if an adjustment of the conversion ratio is required by virtue of any amalgamation or merger, capital reduction, or consolidation of shares, etc., the conversion ratio shall be adjusted to such ratio as the Board of Directors of the Company determines appropriate.

(c) The Current market price in the Conversion Ratio Adjustment Formula means the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the date on which the conversion ratio after adjustment becomes effective (or, in the case as provided for in the proviso of c.(a)(ii) above, the date set for the allotment of Ordinary Shares to shareholders), calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

(d) The Conversion ratio before adjustment in the Conversion Ratio Adjustment Formula means the conversion ratio in effect on the date immediately preceding the date on which the conversion ratio after adjustment becomes effective, and the Number of Ordinary Shares already issued in the Conversion Ratio Adjustment Formula means the number of shares of

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the Company issued and outstanding (excluding the number of Ordinary Shares held by the Company) on the date (if set) for the allotment to shareholders, or if such date is not set, on the date one (1) calendar month prior to the date on which the conversion ratio after adjustment is to become effective.

d. Number of Ordinary Shares to be Issued upon Conversion

The number of the Ordinary Shares to be issued upon conversion of the Preferred Shares shall be as follows:

Number of the Ordinary Shares to be issued upon conversion	=	Number of the Preferred Shares presented for conversion by their holders	x	Conversion ratio

In the calculation of the number of the Ordinary Shares to be issued upon conversion, it shall be calculated to the third decimal place and such third decimal place shall be rounded up to the nearest second decimal place.

(C) Shares to be Issued upon Conversion

Ordinary Shares of Mitsubishi UFJ Financial Group, Inc.

(D) The First Dividends after Conversion

For the purpose of payment of the first dividends or interim dividends payable on the Ordinary Shares issued upon conversion of the Preferred Shares, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.

H. Mandatory Conversion

Any Preferred Shares for which no request for conversion into Ordinary Shares is made on or before March 30, 2009 shall be mandatorily converted on March 31, 2009 (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such average daily closing price shall be calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen. If the relevant average price is less than nine hundred ten thousand five hundred (910,500) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing two million (2,000,000) yen by nine hundred ten thousand five hundred (910,500) yen. In the calculation of the number of Ordinary Shares provided for above, if any number less than one-hundredth (1/100) of one (1) share results, the provisions concerning consolidation of shares as provided for in the Commercial Code shall

apply *mutatis mutandis*.

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Attachment 7

Terms and Conditions to Issuance of Preferred Shares

Class 11 Preferred Shares

(1) Name of Preferred Shares

Class 11 Preferred Shares of Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Preferred Shares)

(2) Number of Shares to be Issued

The number of the Preferred Shares to be issued upon the merger shall be eight (8) shares; provided, however, that if any number of the Series 6 Class 6 Preferred Shares issued by UFJ Holdings, Inc. are converted to Ordinary Shares of UFJ Holdings, Inc. on and after April 1, 2005, to and including the day immediately preceding the scheduled merger date, such number shall be deducted accordingly from the number of the Preferred Shares to be issued in connection with the merger set forth above.

(3) Method of Issuance

The Preferred Shares shall be issued in connection with the merger by way of allotment to the holders of the Series 6 Class 6 Preferred Shares of UFJ Holdings, Inc. at a ratio of one (1) Preferred Share to one (1) Series 6 Class 6 Preferred Share of UFJ Holdings, Inc.

(4) Matters concerning the Preferred Shares

A. Preferred Dividends

(A) Preferred Dividends

The Company shall pay dividends on the Preferred Shares (hereinafter referred to as the Preferred Dividends) in the amount of five thousand three hundred (5,300) yen per Preferred Share per year to the holders of the Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of

Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in (D) below have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends indicated above. The Preferred Dividends for the period on and after the issuance date of Preferred Shares to and including March 31, 2006 shall be five thousand three hundred (5,300) yen per Preferred Share.

(B) Non-cumulation Clause

If the aggregate amount paid to a Preferred Shareholder or Registered Preferred Pledgee as dividends in any particular business year is less than the amount of the Preferred Dividends indicated above, the unpaid amount shall not be carried over to or cumulated in subsequent business years.

(C) Non-participation Clause

The Company shall not pay to any Preferred Shareholder or Registered Preferred Pledgee as dividends any amount in excess of the prescribed amount of the Preferred Dividends indicated above.

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(D) Preferred Interim Dividends

In the event of payment of interim dividends (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of two thousand six hundred fifty (2,650) yen per Preferred Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

B. Distribution of Residual Assets

If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in the amount of one million (1,000,000) yen per Preferred Share. The Company shall not make a distribution of residual assets other than as provided for above to the Preferred Shareholders or Registered Preferred Pledgees.

C. Order of Priority

The Preferred Shares shall rank *pari passu* with any other class of preferred shares issued by the Company in respect of the payment of the Preferred Dividends and the Preferred Interim Dividends and the distribution of residual assets.

D. Cancellation

The Company may, at any time, purchase Preferred Shares and cancel them.

E. Voting Rights

Unless otherwise provided for by law or regulation, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the event that no proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.

F. Consolidation or Split of Preferred Shares and Subscription Rights, etc.

Unless otherwise provided for by law or regulation, the Company shall not consolidate or split any Preferred Shares. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.

G. Conversion into Ordinary Shares

Any Preferred Shareholder may request conversion of Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as provided for in (A) below, pursuant to the terms of conversion as provided for in (B) below. The details are as follows:

(A) Period During which Preferred Shareholders are Entitled to Request Conversion On and after the issuance date of the Preferred Shares to and including July 31, 2014.

(B) Terms of Conversion

a. Initial Conversion Price

The initial conversion price shall be nine hundred eighteen thousand seven hundred (918,700) yen.

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b. Reset of Conversion Price

If the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange (any fraction less than one thousand (1,000) yen being rounded up to the nearest one thousand (1,000) yen) for thirty (30) consecutive Trading Days (Trading Day means a day on which a closing price (including closing bids or offered prices) (in regular trading) for the Ordinary Shares of the Company is reported on the Tokyo Stock Exchange) (such thirty (30) Trading Day period shall hereinafter be referred to as the Reset Calculation Period) ending on July 15 of each year from 2006 through and including 2013 (or, if any such day is not a Trading Day, the Trading Day immediately preceding such day) (each, hereinafter referred to as the Setting Date) is at least one thousand (1,000) yen less than the conversion price effective as of the relevant Setting Date, the conversion price shall, effective as of the August 1 immediately following such relevant Setting Date (each, hereinafter referred to as the Effective Date), be reset to the average daily closing price as calculated in the manner set forth above.

However, if such amount so calculated falls under nine hundred eighteen thousand seven hundred (918,700) yen (subject to any adjustment in accordance with c. below) (hereinafter referred to as the Conversion Floor Price), the conversion reset shall be equal to the Conversion Floor Price. If, during the Reset Calculation Period, any event has occurred which would require adjustment in accordance with c. below, the average price above shall be adjusted in a manner consistent with c. below.

c. Adjustment of Conversion Price

(a) After the issuance of the Preferred Shares, the conversion price (including the Conversion Floor Price) will be adjusted in accordance with the following formula (hereinafter referred to as the Conversion Price Adjustment Formula) in the event any of the items set forth below occurs; provided, however, that if the conversion price when adjusted in accordance with the Conversion Price Adjustment Formula is less than one hundred thousand (100,000) yen, the conversion price after adjustment shall be one hundred thousand (100,000) yen.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred} \times \frac{\text{Subscription price or transfer price per share}}{\text{Current market price per share}}}{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred}}$$

(i) In the event that the Company issues Ordinary Shares or transfers Ordinary Shares held by the Company at a subscription price or transfer price less than the current market price to be used in the Conversion Price Adjustment Formula (except for any issuance or transfer by virtue of conversion of securities convertible into Ordinary Shares or the exercise of stock acquisition rights):

The conversion price after adjustment shall become effective as of the date immediately following the payment date or as of the date immediately following the date (if set) for the allotment of such Ordinary Shares to shareholders.

(ii) In the event that the Company issues Ordinary Shares by way of a stock split:

The conversion price after adjustment shall become effective as of the date immediately following the date set for the allotment to shareholders of such Ordinary Shares to be issued by way of a stock split.

However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable

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profits to the stated capital and the date set for the allotment of such Ordinary Shares to shareholders falls on or prior to the date of the closing of the relevant ordinary general meeting of shareholders held to approve the transfer of distributable profits to the stated capital, the conversion price after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.

(iii) In the event that the Company issues securities (interests) convertible into Ordinary Shares or securities (interests) with rights to acquire Ordinary Shares, in either case, at a price less than the current market price to be applied to the Conversion Price Adjustment Formula:

The conversion price after adjustment shall become effective as of the date immediately following the date of issuance of such securities (interests) or as of the date immediately following the date (if set) for the allotment of such securities (interests) to shareholders, on the assumption that all such securities (interests) are converted or all the stock acquisition rights attached to such securities (interests) are exercised on the date of issuance of such securities (interests) or at the close of the date set for the allotment of such securities (interests), as the case may be.

(b) In addition to the events set forth above, if an adjustment of the conversion price (including the Conversion Floor price) is required by virtue of any amalgamation or merger, capital reduction, or consolidation of Ordinary Shares, etc., the conversion price shall be adjusted to such price as the Board of Directors of the Company determines appropriate.

(c) The Current market price per share in the Conversion Price Adjustment Formula means the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the date on which the conversion price after adjustment becomes effective (or, in the case as provided for in the proviso of c.(a)(ii) above, the date set for the allotment of Ordinary Shares to shareholders), calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

If any of the events of adjustment of conversion price as set forth in c.(a) or (b) above occurs during the above forty-five (45) trading day period, the average price above shall be adjusted in a manner consistent with c.(a) or (b) above.

(d) The Conversion price before adjustment in the Conversion Price Adjustment Formula means the conversion price in effect on the date immediately preceding the date on which the conversion price after adjustment becomes effective, and the Number of Ordinary Shares already issued in the Conversion Price Adjustment Formula means the number of Ordinary Shares of the Company issued and outstanding (excluding the number of Ordinary Shares held by the Company) on the date (if set) for the allotment to shareholders, or if such date is not set, on the date one (1) calendar month prior to the date on which the conversion price after adjustment is to become effective.

(e) The Subscription price per share in the Conversion Price Adjustment Formula means (1) in the event that the Company issues Ordinary Shares with a subscription price less than the current market price as set forth in c.(a)(i) above, such subscription price (in the event that payment thereof is made by any consideration other than cash, the fair value of such consideration), (2) in the event that the Company issues Ordinary Shares by way of a stock split as set forth in c.(a)(ii) above, zero, and (3) in the event that the Company issues

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securities (interests) convertible into Ordinary Shares or securities (interests) with rights to acquire Ordinary Shares at a price less than the current market price as set forth in c.(a)(iii) above, the relevant conversion or exercise price.

(f) The result of the calculation by the Conversion Price Adjustment Formula shall be rounded up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

(g) In the event that the difference between the conversion price after adjustment calculated by the Conversion Price Adjustment Formula and the conversion price before adjustment is less than one thousand (1,000) yen, no adjustment shall be made; provided, however, that if any event occurs thereafter that would require adjustment of the conversion price, when calculating the conversion price, such difference shall be deducted from the conversion price before adjustment in the Conversion Price Adjustment Formula.

d. Number of Ordinary Shares to be Issued upon Conversion

The number of the Ordinary Shares to be issued upon conversion of the Preferred Shares shall be as follows:

$$\text{Number of the Ordinary Shares to be issued upon conversion} = \text{Number of the Preferred Shares presented for conversion by their holders} \times \frac{1{,}000{,}000 \text{ yen}}{\text{Conversion price}}$$

In the calculation of the number of the Ordinary Shares to be issued upon conversion, it shall be calculated to the third decimal place and such third decimal place shall be rounded up to the nearest second decimal place.

(C) Shares to be Issued upon Conversion

Ordinary Shares of Mitsubishi UFJ Financial Group, Inc.

(D) The First Dividends after Conversion

For the purpose of payment of the first dividends or interim dividends payable on the Ordinary Shares issued upon conversion of the Preferred Shares, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.

H. Mandatory Conversion

Any Preferred Shares for which no request for conversion into Ordinary Shares is made on or before July 31, 2014 shall be mandatorily converted on August 1, 2014 (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing one million (1,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th)

trading day prior to the Mandatory Conversion Date; provided, however, that such average daily closing price shall be calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen. If the relevant average price is less than eight hundred two thousand six hundred (802,600) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing one million (1,000,000) yen by eight hundred two thousand six hundred (802,600) yen. In the calculation of the number of Ordinary Shares provided for above, if any number less than one-hundredth (1/100) of one (1) share results, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.

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(Attachment 8)

Terms and Conditions to Issuance of Preferred Shares

Class 12 Preferred Shares

(1) Name of Preferred Shares

Class 12 Preferred Shares of Mitsubishi UFJ Financial Group, Inc. (hereinafter referred to as the Preferred Shares)

(2) Number of Shares to be Issued

The number of the Preferred Shares to be issued upon the merger shall be two hundred thousand (200,000) shares; provided, however, that if any number of the Series 7 Class 7 Preferred Shares issued by UFJ Holdings, Inc. are converted to Ordinary Shares of UFJ Holdings, Inc. on and after April 1, 2005, to and including the day immediately preceding the scheduled merger date, such number shall be deducted accordingly from the number of the Preferred Shares to be issued in connection with the merger set forth above.

(3) Method of Issuance

The Preferred Shares shall be issued in connection with the merger by way of allotment to the holders of the Series 7 Class 7 Preferred Shares of UFJ Holdings, Inc. at a ratio of one (1) Preferred Share to one (1) Series 7 Class 7 Preferred Share of UFJ Holdings, Inc.

(4) Matters concerning the Preferred Shares

A. Preferred Dividends

(A) Preferred Dividends

The Company shall pay dividends on the Preferred Shares (hereinafter referred to as the Preferred Dividends) in the amount of eleven thousand five hundred (11,500) yen per Preferred Share per year to the holders of the Preferred Shares (hereinafter referred to as the Preferred Shareholders) or registered pledgees who hold pledges over Preferred Shares (hereinafter referred to as the Registered Preferred Pledgees), whose names have been entered or recorded in the latest register of shareholders as of March 31 of each year, with priority over the holders of

Ordinary Shares (hereinafter referred to as the Ordinary Shareholders), registered pledgees who hold pledges over Ordinary Shares (hereinafter referred to as the Registered Ordinary Pledgees) or holders of fractional Ordinary Shares (hereinafter referred to as the Fractional Ordinary Shareholders); provided, however, that in the event that the Preferred Interim Dividends provided for in (D) below have been paid in the relevant business year, the amount so paid shall be deducted accordingly from the amount of the Preferred Dividends indicated above. The Preferred Dividends for the period on and after the issuance date of Preferred Shares to and including March 31, 2006 shall be eleven thousand five hundred (11,500) yen per Preferred Share.

(B) Non-cumulation Clause

If the aggregate amount paid to a Preferred Shareholder or Registered Preferred Pledgee as dividends in any particular business year is less than the amount of the Preferred Dividends indicated above, the unpaid amount shall not be carried over to or cumulated in subsequent business years.

(C) Non-participation Clause

The Company shall not pay to any Preferred Shareholder or Registered Preferred Pledgee as dividends any amount in excess of the prescribed amount of the Preferred Dividends indicated above.

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(D) Preferred Interim Dividends

In the event of payment of interim dividends (hereinafter referred to as the Preferred Interim Dividends), the Company shall make a cash distribution in the amount of five thousand seven hundred fifty (5,750) yen per Preferred Share to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders.

B. Distribution of Residual Assets

If the Company distributes its residual assets upon liquidation, the Company shall pay to the Preferred Shareholders or Registered Preferred Pledgees with priority over the Ordinary Shareholders, Registered Ordinary Pledgees or Fractional Ordinary Shareholders in the amount of one million (1,000,000) yen per Preferred Share. The Company shall not make a distribution of residual assets other than as provided for above to the Preferred Shareholders or Registered Preferred Pledgees.

C. Order of Priority

The Preferred Shares shall rank *pari passu* with any other class of preferred shares issued by the Company in respect of the payment of the Preferred Dividends and the Preferred Interim Dividends and the distribution of residual assets.

D. Cancellation

The Company may, at any time, purchase Preferred Shares and cancel them.

E. Voting Rights

Unless otherwise provided for by law or regulation, the Preferred Shareholders shall not have voting rights at any general meeting of shareholders; provided, however, that the Preferred Shareholders shall have voting rights from (i) the commencement of an ordinary general meeting of shareholders in the event that no proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is submitted to such ordinary general meeting of shareholders or (ii) the close of an ordinary general meeting of shareholders in the event that such proposal is rejected at such ordinary general meeting of shareholders, until, in either case, a proposal for declaration of Preferred Dividends be paid to the Preferred Shareholders is approved at an ordinary general meeting of shareholders.

F. Consolidation or Split of Preferred Shares and Subscription Rights, etc.

Unless otherwise provided for by law or regulation, the Company shall not consolidate or split any Preferred Shares. The Company shall not grant the Preferred Shareholders any rights to subscribe for new shares, stock acquisition rights or bonds with stock acquisition rights.

G. Conversion into Ordinary Shares

Any Preferred Shareholder may request conversion of Preferred Shares into Ordinary Shares of the Company during the period in which such Preferred Shareholder is entitled to request conversion as provided for in (A) below, pursuant to the terms of conversion as provided for in (B) below. The details are as follows:

(A) Period During which Preferred Shareholders are Entitled to Request Conversion

On and after the issuance date of the Preferred Shares to and including July 31, 2009

(B) Terms of Conversion

a. Initial Conversion Price

The initial conversion price shall be seven hundred ninety-six thousand (796,000) yen.

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b. Reset of Conversion Price

If the Average AQR Price (defined below) of Ordinary Shares of the Company as reported by the Tokyo Stock Exchange for thirty (30) consecutive Trading Days (Trading Day means a day on which the last sale price (in regular trading) for the Ordinary Shares of the Company is reported on the Tokyo Stock Exchange) (such thirty Trading Day period shall hereinafter be referred to as the Reset Calculation Period) ending on June 15 of each year from 2006 through and including 2008 (or, if any such day is not a Trading Day, the Trading Day immediately preceding such day) (each, hereinafter referred to as the Setting Date) is at least one thousand (1,000) yen less than the conversion price effective as of the relevant Setting Date, the conversion price shall, effective as of June 30 coming immediately after the relevant Setting Date (each, hereinafter referred to as the Effective Date), be reset to the Average AQR Price as calculated in the manner set forth above.

However, if such amount so calculated is less than seven hundred ninety-six thousand (796,000) yen (subject to any adjustment in accordance with c. below) (hereinafter referred to as the Conversion Floor Price), the conversion price shall be equal to the Conversion Floor Price.

The Average AQR Price of Ordinary Shares of the Company means the arithmetic mean (calculated by the Company and any fraction less than one thousand (1,000) yen being rounded up to the nearest one thousand (1,000) yen) of (x) the daily weighted average price of Ordinary Shares of the Company as reported by the Tokyo Stock Exchange on each Trading Day during the Reset Calculation Period, which weighted average price is announced on such page as designated by Bloomberg L.P. on its screen entitled JT Equity AQR to show the weighted average price of Ordinary Shares of the Company as reported by the Tokyo Stock Exchange, or such other page or service as may replace such page (hereinafter collectively referred to as the Reference Screen), provided by Bloomberg L.P. between 10:00 a.m. and 11:00 a.m. (London time), or (y) if the relevant Reference Screen is not available in respect of any aforementioned Trading Day, the last sale price (in regular trading) of Ordinary Shares of the Company as reported by the Tokyo Stock Exchange for that Trading Day, in each case subject to any adjustment which becomes effective during the Reset Calculation Period in accordance with c. below.

c. Adjustment of Conversion Price

(a) After the issuance of the Preferred Shares, the conversion price (including the Conversion Floor Price) will be adjusted in accordance with the following formula (hereinafter referred to as the Conversion Price Adjustment Formula) in the event any of the items set forth below occurs; provided, however, that if the conversion price when adjusted in accordance with the Conversion Price Adjustment Formula is less than one hundred thousand (100,000) yen, the conversion price after adjustment shall be one hundred thousand (100,000) yen.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred} \times \frac{\text{Subscription price or transfer price per share}}{\text{Current market price per share}}}{\text{Number of Ordinary Shares already issued} + \text{Number of Ordinary Shares to be newly issued or transferred}}$$

(i) In the event that the Company issues Ordinary Shares or transfers Ordinary Shares held by the Company at a subscription price or transfer price less than the current market price to be used in the Conversion Price Adjustment Formula (except for any issuance or transfer by virtue of conversion of securities convertible into Ordinary Shares or the exercise of stock acquisition rights):

The conversion price after adjustment shall become effective as of the date immediately following the payment date or as of the date immediately following the date (if set) for the allotment of such Ordinary Shares to shareholders.

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(ii) In the event that the Company issues Ordinary Shares by way of a stock split:

The conversion price after adjustment shall become effective as of the date immediately following the date set for the allotment to shareholders of such Ordinary Shares to be issued by way of a stock split.

However, if the Board of Directors of the Company determines that the stock split and issuance of Ordinary Shares thereby shall be effected by a transfer of distributable profits to the stated capital and the date set for the allotment of such Ordinary Shares to shareholders falls on or prior to the date of the closing of the relevant ordinary general meeting of shareholders held to approve the transfer of distributable profits to the stated capital, the conversion price after adjustment shall become effective as of the date immediately following the date on which the ordinary general meeting of shareholders approving such transfer is concluded.

(iii) In the event that the Company issues securities (interests) convertible into Ordinary Shares or securities (interests) with rights to acquire Ordinary Shares, in either case, at a price less than the current market price to be applied to the Conversion Price Adjustment Formula:

The conversion price after adjustment shall become effective as of the date immediately following the date of issuance of such securities (interests) or as of the date immediately following the date (if set) for the allotment of such securities (interests) to shareholders, on the assumption that all such securities (interests) are converted or all the stock acquisition rights attached to such securities (interests) are exercised on the date of issuance of such securities (interests) or at the close of the date set for the allotment of such securities (interests), as the case may be.

(b) In addition to the events set forth above, if an adjustment of the conversion price (including the Conversion Floor Price) is required by virtue of any amalgamation or merger, capital reduction, or consolidation of Ordinary Shares, etc., the conversion price shall be adjusted to such price as the Board of Directors of the Company determines appropriate.

(c) The Current market price per share in the Conversion Price Adjustment Formula means the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the date on which the conversion price after adjustment becomes effective (or, in the case as provided for in the proviso of c.(a)(ii) above, the date set for the allotment of Ordinary Shares to shareholders), calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

If any of the events of adjustment of conversion price as set forth in c.(a) or (b) above occurs during the above forty-five (45) trading day period, the conversion price after adjustment shall be adjusted in a manner consistent with c.(a) or (b) above.

(d) The Conversion price before adjustment in the Conversion Price Adjustment Formula means the conversion price in effect on the date immediately preceding the date on which the conversion price after adjustment becomes effective, and the Number of Ordinary Shares already issued in the Conversion Price Adjustment Formula means the number of Ordinary Shares of the Company issued and outstanding (excluding the number of Ordinary Shares held by the Company) on the date (if set) for the allotment to shareholders, or if such date is not set, on the date one (1) calendar month prior to the date on which the conversion price after adjustment is to become effective.

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(e) The Subscription price per share in the Conversion Price Adjustment Formula means (1) in the event that the Company issues Ordinary Shares with a subscription price less than the current market price as set forth in c.(a)(i) above, such subscription price (in the event that payment thereof is made by any consideration other than cash, the fair value of such consideration), (2) in the event that the Company issues Ordinary Shares by way of a stock split as set forth in c.(a)(ii) above, zero (0), and (3) in the event that the Company issues securities (interests) convertible into Ordinary Shares or securities (interests) with rights to acquire Ordinary Shares at a price less than the current market price as set forth in c.(a)(iii) above, the relevant conversion or exercise price.

(f) The result of the calculation by the Conversion Price Adjustment Formula shall be rounded up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding amounts less than fifty (50) yen.

(g) In the event that the difference between the conversion price after adjustment calculated by the Conversion Price Adjustment Formula and the conversion price before adjustment is less than one thousand (1,000) yen, no adjustment shall be made; provided, however, that if any event occurs thereafter that would require adjustment of the conversion price, when calculating the conversion price, such difference shall be deducted from the conversion price before adjustment in the Conversion Price Adjustment Formula.

d. Number of Ordinary Shares to be Issued upon Conversion

The number of the Ordinary Shares to be issued upon conversion of the Preferred Shares shall be as follows:

$$\text{Number of the Ordinary Shares to be issued upon conversion} = \text{Number of the Preferred Shares presented for conversion by their holders} \times \frac{1{,}000{,}000 \text{ yen}}{\text{Conversion price}}$$

In the calculation of the number of the Ordinary Shares to be issued upon conversion, it shall be calculated to the third decimal place and such third decimal place shall be rounded up to the nearest second decimal place.

(C) Shares to be Issued upon Conversion

Ordinary Shares of Mitsubishi UFJ Financial Group, Inc.

(D) The First Dividends after Conversion

For the purpose of payment of the first dividends or interim dividends payable on the Ordinary Shares issued upon conversion of the Preferred Shares, the conversion shall be deemed to have taken effect as of April 1, if a request for conversion or mandatory conversion is made during the period from April 1 through September 30, or as of October 1, if such request or conversion is made during the period from October 1 through March 31 of the following year.

H. Mandatory Conversion

Any Preferred Shares for which no request for conversion into Ordinary Shares is made on or before July 31, 2009 shall be mandatorily converted on August 1, 2009 (hereinafter referred to as the Mandatory Conversion Date) into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing one million (1,000,000) yen by the average daily closing price (including closing bids or offered prices) of Ordinary Shares of the Company (in regular trading) as reported by the Tokyo Stock Exchange for the thirty (30) consecutive trading days (excluding a trading day or days on which no closing price or closing bid or offered price is reported) commencing on the forty-fifth (45th) trading day prior to the Mandatory Conversion Date; provided, however, that such average daily closing price shall be calculated by rounding up to the nearest hundred (100) yen when the fraction is equal to or more than fifty (50) yen, discarding

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amounts less than fifty (50) yen. If the relevant average price is less than seven hundred ninety-five thousand two hundred (795,200) yen, the relevant Preferred Shares shall be converted into Ordinary Shares and fractional Ordinary Shares in the number as is obtained by dividing one million (1,000,000) yen by seven hundred ninety-five thousand two hundred (795,200) yen. In the calculation of the number of Ordinary Shares provided for above, if any number less than one-hundredth (1/100) of one (1) share results, the provisions concerning consolidation of shares in the Commercial Code shall apply *mutatis mutandis*.

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ANNEX C

ENGLISH TRANSLATION OF ARTICLES 245-2 THROUGH 245-4 AND 408-3

OF THE COMMERCIAL CODE OF JAPAN

Article 245-2. Any shareholder who has notified in writing to the company, prior to the meeting of shareholders at which a resolution mentioned in paragraph 1 of the preceding Article[(1)] is to be made, of his intention to oppose any of the acts mentioned in the said paragraph and has casted an opposing vote at the meeting, may demand the company to purchase his shares at a fair share value at which the shares would have been valued but for such resolution. However, the same shall not apply in cases where a resolution for dissolution has been adopted simultaneously with the resolution as to the acts mentioned in item (1) of paragraph 1 of the said Article.

2. Provisions of Article 204-2 paragraphs 2[(2)] and 3[(3)] shall apply *mutatis mutandis* to the shareholders notice made in writing under the preceding paragraph.

Article 245-3. Such demand mentioned in paragraph 1 of the preceding Article shall be made in writing stating the class and the number of the shares within 20 days after the date on which the resolution was adopted.

2. The provisions of Article 204-2 paragraphs 2[(4)] and 3[(5)] shall apply *mutatis mutandis* to the shareholders demand made in writing under paragraph 1 of the preceding Article and the preceding paragraph.

3. If the share value is agreed upon between the shareholder and the company, the company shall make payment of the agreed value within 90 days after the date of the said resolution.

4. If the shareholder and the company do not agree upon a value of shares within a period of 60 days after the date on which the resolution was adopted, the shareholder may, within 30 days after the expiration of the 60-day period, file a petition with a court for a determination of the fair value of such shares.

5. The company shall also make payment of statutory interest on such share value as determined by the court after the expiration of the period mentioned in paragraph 3.

6. The payment of the price of shares shall be made in exchange for share certificates, the transfer of shares becoming effective upon the payment of the price.

Article 245-4. The demand of a opposing shareholder as provided for in Article 245-2 paragraph 1 shall not be effective when the company has abandoned the act mentioned in Article 245 paragraph 1[(6)]. The same shall also apply in cases where a opposing shareholder has failed to make the demand mentioned in paragraph 4 of the preceding article within the period mentioned in the said paragraph.

Article 408-3. Any shareholder who has notified in writing to the company, prior to the meeting of shareholders mentioned in Article 408 paragraph 1[(7)], of his intention to oppose the merger and has casted an opposing vote on the merger agreement at the meeting, may demand the company to purchase his shares at a fair share value which the shares would have had but for such.

2. The provisions of Article 245-2 paragraph 2, Article 245-3 and 245-4 shall apply *mutatis mutandis* to the case mentioned in the preceding paragraph.

Notes:

(1) Article 245 paragraph 1 indicates the subject matters which are subject to the special resolution of a general meeting of shareholders in which a quorum comprising the holders of one-third of the total voting rights is required.
(2) Article 204-2 paragraph 2 provides that a shareholder may, in substitution for demand made in writing, furnish the information which shall be stated in the document the transferee, the number and class of shares to be transferred are clarified by the electromagnetic method with the company s consent.

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(3) Article 204-2 paragraph 3 provides that in the case where the shareholder under the preceding paragraph is a person who gives consent to receive notices by electromagnetic method, the company may not refuse to give its consent unless there is a justifiable reason during the period until the close of the ordinary general meeting of shareholders concerning the term of settlement of accounts in the business year to which the date of the general meeting of shareholders pertaining to such consent belongs.

(4) Article 204-2 paragraph 2 provides that a shareholder may, in substitution for demand made in writing, furnish the information which shall be stated in the document the transferee, the number and class of shares to be transferred are clarified by the electromagnetic method with the company s consent.

(5) Article 204-2 paragraph 3 provides that in the case where the shareholder under the preceding paragraph is a person who gives consent to receive notices by electromagnetic method, the company may not refuse to give its consent unless there is a justifiable reason during the period until the close of the ordinary general meeting of shareholders concerning the term of settlement of accounts in the business year to which the date of the general meeting of shareholders pertaining to such consent belongs.

(6) Article 245 paragraph 1 indicates the subject matters which are subject to the special resolution of a general meeting of shareholders in which a quorum comprising the holders of one-third of the total voting rights is required.

(7) Article 408 paragraph 1 indicates the general meetings of shareholders at which the merger agreements are approved.

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ANNEX D

PRESS RELEASE OF MTFG, DATED MAY 25, 2005, ANNOUNCING

ITS JAPANESE GAAP RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2005

(excerpts)

Consolidated Summary Report

<under Japanese GAAP>

for the Fiscal Year Ended March 31, 2005

Date:	May 25, 2005
Company name (code number):	Mitsubishi Tokyo Financial Group, Inc. (8306) (URL http://www.mtfg.co.jp)
Stock exchange listings:	Tokyo, Osaka, New York, London
Headquarters:	Tokyo
Representative:	Nobuo Kuroyanagi, President & CEO
For inquiry:	Katsuhiko Ishizuka, Chief Manager Financial Policy Division (Phone) +81-3-3240-8211
Date of resolution of Board of Directors with respect to the consolidated financial statements:	May 25, 2005
Trading accounts:	Established

1. Consolidated financial data for the year ended March 31, 2005

(1) Operating results

	For the year ended March 31,	
	2005	**2004**
	(in millions of yen except per share data and percentages)	
Ordinary income	**2,628,509**	2,555,183
Change from the previous year	**2.9%**	(7.8)%
Ordinary profit	**593,291**	578,371
Change from the previous year	**2.6%**	
Net income	**338,416**	560,815
Change from the previous year	**(39.7)%**	

Net income per common share	**51,086.02**	87,156.63
Net income per common and common equivalent share		85,017.34
Net income as a percentage of shareholders equity	**7.9%**	16.7%
Ordinary profit as a percentage of total liabilities, minority interest and shareholders equity	**0.5%**	0.6%
Ordinary profit as a percentage of ordinary income	**22.6%**	22.6%

Notes:

1. Equity in earnings of affiliates for the year ended:

March 31, 2005:	*17,686*	*million yen*
March 31, 2004:	*3,595*	*million yen*

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2. Average number of shares outstanding for the year ended:			
March 31, 2005:	*(common stock)*	*6,510,652*	*shares*
	(preferred stock-class 1)	*60,779*	*shares*
	(preferred stock-class 2)	*4,109*	*shares*
	(preferred stock-class 3)	*11,780*	*shares*
March 31, 2004:	*(common stock)*	*6,349,929*	*shares*
	(preferred stock-class 1)	*81,022*	*shares*
	(preferred stock-class 2)	*58,039*	*shares*
3. Changes in accounting policy: No			

(2) Financial Condition

	As of March 31,	
	2005	**2004**
	(in millions of yen except per share data and percentages)	
Total assets	**110,285,508**	106,615,487
Shareholders equity	**4,777,825**	4,295,243
Shareholders equity as a percentage of total liabilities, minority interest and shareholders equity	**4.3%**	4.0%
Shareholders equity per common share	**673,512.65**	620,797.48
Risk-adjusted capital ratio (based on the standards of the Bank for International Settlements, the BIS)	(preliminary basis) **11.76%**	12.95%

Note:

Number of shares outstanding as of:			
March 31, 2005:	*(common stock)*	*6,538,751*	*shares*
	(preferred stock-class 1)	*40,482*	*shares*
	(preferred stock-class 3)	*100,000*	*shares*
March 31, 2004:	*(common stock)*	*6,473,306*	*shares*
	(preferred stock-class 1)	*81,022*	*shares*
	(preferred stock-class 2)	*15,000*	*shares*

(3) Cash flows

	For the year ended March 31,	
	2005	**2004**
	(in millions of yen)	
Net cash provided by (used in) operating activities	**1,289,492**	2,999,790
Net cash provided by (used in) investing activities	**(402,229)**	(3,893,910)
Net cash provided by (used in) financing activities	**331,922**	(71,269)
Cash and cash equivalents at end of fiscal year	**4,243,076**	3,034,525

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 146 Affiliated companies accounted for by the equity method: 25

(5) Change in the scope of consolidation and application of the equity method

Consolidated subsidiaries:	Newly included: 7 Excluded: 13
Affiliated companies accounted for by the equity method:	Newly included: 2 Excluded: 1

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2. Earning projections for the fiscal year ending March 31, 2006

	Ordinary income	Ordinary profit	Net income
	(in millions of yen)		
For the six months ending September 30, 2005	**1,300,000**	**300,000**	**140,000**
For the year ending March 31, 2006	**3,850,000**	**900,000**	**400,000**

Projected net income per common share for the year ending March 31, 2006 (yen):	47,008.13

Note:

The projected earning is based on an assumption of merger with UFJ holdings Inc. on October 1 2005, with MTFG as surviving entity. Interim projected earning is solely on MTFG basis and fiscal year projected earning is on merger basis.

(Reference)

Formulas for computing ratios for the fiscal year ended March 31, 2005 are as follows.

Net income per common share

$$\frac{\text{Net income - (Total dividends on preferred stock + Bonus paid to director)}}{\text{Average number of common stock for the fiscal year *}}$$

Net income per common and common equivalent share

$$\frac{\text{Net income - (Total dividends on preferred stock + Bonus paid to director) + Adjustments in net income}}{\text{Average number of common stock for the fiscal year * + Common equivalent share}}$$

Net income as a percentage of shareholders equity

$$\frac{\text{Net income - (Total dividends on preferred stock + Bonus paid to director)}}{} \times 100$$

{ [Shareholders equity at the beginning of the fiscal year - Number of preferred stock at the beginning of the fiscal year × Issue price] + [Shareholders equity at fiscal year end - Number of preferred stock at fiscal year end × Issue price] } / 2

Shareholders equity per common share

Shareholders equity at fiscal year end Deduction from shareholders equity**

Number of common stock at fiscal year end *

Formula for computing projected earning ratio for the fiscal year ending March 31, 2006 is as follows.

Projected net income per common share

Projected net income*** - Projected total dividends on preferred stock***

Projected average number of common stock for the fiscal year *

* excluding treasury stock
** number of preferred stock at fiscal year end × issue price + total dividends on preferred stock
*** based on an assumption of the merger with UFJ Holdings, Inc. on October 1, 2005, The Mitsubishi UFJ Financial Group, Inc. s projected figures

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2. Result of Operations and Financial Condition

(1) Result of operations

With respect to the financial and economic environment for the fiscal year ended March 31, 2005, though overseas economies moved toward recovery in the early part of the current period, the economies began slowing down gradually in the latter part of the current period as a result of the rising interest rates in the United States and China, and the rise in crude oil prices.

Similarly, though the Japanese economy moved toward recovery led by exports and capital expenditures in the first part of the current fiscal year, a certain degree of uncertainty prevailed over the Japanese economy from the middle of the current fiscal year and deflation continued.

Regarding the financial environment, in the EU, the European Central Bank s policy rate remained at 2%. In the United States, the target for the federal funds rate was raised from 1% to 2.75%. In Japan, the Bank of Japan continued its current easy monetary policy and kept short-term interest rates at near zero percent. On the other hand, the long-term interest rate rose temporarily before declining again.

Japanese stock prices were relatively stable during the current fiscal year. In the foreign exchange markets, the yen appreciated against the US dollar from the middle of the current fiscal year as concerns rose over the US budget and current account deficits.

Amidst this environment, ordinary profit was ¥593.2 billion, an increase of ¥14.9 billion compared to the previous fiscal year, and net income was ¥338.4 billion, a decrease of ¥222.3 billion compared to the previous fiscal year.

This decrease was primarily due to the following factors.

The first factor was a ¥222.0 billion increase in total credit costs to ¥149.0 billion for the fiscal year ended March 31, 2005, as a result of the decrease in the reversal of allowance for credit losses.

The second factor was a ¥47.6 billion increase in net business profits before credit costs for trust accounts and provision for formula allowance for loan losses, to ¥840.7 billion for the fiscal year ended March 31, 2005. This increase was due to an increase in net fees and commissions.

The third factor was the absence of two special gains that were recorded in the fiscal year ended March 31, 2004, ¥41.9 billion in refunded enterprise taxes by the Tokyo Metropolitan Government and special gains of ¥26.5 billion resulting from gains on the transfer of the substitutional portion of future pension obligations.

Ordinary profit by business segment was; ¥436.7 billion for the banking segment, ¥141.5 billion for the trust banking segment and ¥ 9.6 billion for the securities segment. Ordinary profit (loss) by geographic segment was; ¥443.5 billion in Japan, ¥131.5 billion in North America, ¥12.4 billion in Europe and the Middle East, ¥29.1 billion in Asia and Oceania excluding Japan, respectively, and an ordinary loss of ¥6.1 billion in Latin America.

The Company has the following earning projections* for the fiscal year ending March 31, 2006.

Consolidated ordinary income	Consolidated ordinary profit	Consolidated net income
¥3,850,000 million	¥900,000 million	¥ 400,000 million

* The aggregate amount of Mitsubishi Tokyo Financial Group s projected interim earnings (from April to September for the fiscal year ending March 31, 2006) and Mitsubishi UFJ Financial Group s projected earnings (from October to March for the fiscal year ending March 31, 2006) .

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(Reference)

1.	Projected net income per common share (consolidated)			¥ 47,008.13
2.	Projected net income per common share (non-consolidated)			¥ 32,871.83
3.	Projected dividend per share (non-consolidated)	Common stock	¥	6,000
		Preferred stock-class3	¥	60,000
		Preferred stock-class8	¥	15,900
		Preferred stock-class9	¥	18,600
		Preferred stock-class10	¥	19,400
		Preferred stock-class11	¥	5,300
		Preferred stock-class12	¥	11,500

Notes:

Preferred Stock of class 8, class 9, class 10, class 11 and class 12 shares described at projected dividends are to be issued upon merger with UFJ Holdings Inc.

(2) Financial condition

Loans and bills discounted decreased by ¥143.4 billion from ¥ 46,590.1 billion at March 31, 2004 to ¥46,446.6 billion at March 31, 2005. This change consisted mainly of a decrease of ¥1,175.7 billion in domestic loans, an increase of ¥333.1 billion in loans made by overseas branches, an increase of ¥428.9 billion in loans made by overseas subsidiaries (UnionBanCal Corporation and Bank of Tokyo-Mitsubishi Trust Company), and an increase of ¥280.7 billion in domestic housing loans.

Investment securities increased by ¥493.8 billion from ¥ 28,329.5 billion at March 31, 2004 to ¥28,823.4 billion at March 31, 2005.

Total shareholders equity increased by ¥ 482.5 billion from ¥ 4,295.2 billion at March 31, 2004 to ¥4,777.8 billion at March 31, 2005.

For the fiscal year ended March 31, 2005, net cash provided by operating activities were ¥ 1,289.4 billion, net cash used in investing activities were ¥402.2 billion and net cash provided by financing activities were ¥331.9 billion. As a result, the balance of cash and cash equivalents at March 31, 2005 was ¥ 4,243.0 billion.

The Company s consolidated risk adjusted capital ratio (based on the standards of the BIS) was 11.76 % (Preliminary basis) at March 31, 2005.

The following table shows the Company s consolidated risk adjusted capital ratio at March 31, 2004, September 30, 2004 and March 31, 2005.

	At March 31, 2004	At September 30, 2004	At March 31, 2005

			(Preliminary basis)
	(in billions except for percentages)		
Tier I capital	¥ 3,859.4	¥ 4,025.9	¥ 4,286.7
Tier II capital	¥ 3,157.8	¥ 2,818.0	¥ 3,250.9
Tier III capital	¥ 30.0		
Deduction from total qualifying capital	¥ 54.5	¥ 894.3	¥ 915.0
Total qualifying capital	¥ 6,992.7	¥ 5,949.6	¥ 6,622.6
Risk-adjusted assets	¥ 53,996.7	¥ 54,457.1	¥ 56,270.5
Consolidated risk-adjusted capital ratio (based on the standards of the BIS)	12.95%	10.92%	11.76%

Note) Tier II and Tier III capital represent amounts includable as qualifying capital.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	As of March 31,		
	2005 (A)	**2004 (B)**	**(A) - (B)**
		(in millions of yen)	
Assets:			
Cash and due from banks	**8,655,835**	6,511,422	2,144,412
Call loans and bills bought	**930,495**	893,805	36,690
Receivables under resale agreements	**500,490**	1,336,995	(836,504)
Receivables under securities borrowing transactions	**5,791,884**	5,572,154	219,729
Commercial paper and other debt purchased	**2,055,184**	1,338,092	717,092
Trading assets	**7,552,891**	6,572,110	980,781
Money held in trust	**456,481**	469,377	(12,896)
Investment securities	**28,823,427**	28,329,543	493,883
Allowance for losses on investment securities	**(1,198)**	(1,948)	750
Loans and bills discounted	**46,446,670**	46,590,131	(143,461)
Foreign exchanges	**677,907**	559,382	118,525
Other assets	**3,203,407**	3,217,991	(14,583)
Premises and equipment	**851,166**	889,580	(38,413)
Deferred tax assets	**485,078**	711,680	(226,602)
Customers liabilities for acceptances and guarantees	**4,595,401**	4,457,806	137,594
Allowance for loan losses	**(739,617)**	(832,638)	93,020
Total assets	**110,285,508**	106,615,487	3,670,021
Liabilities:			
Deposits	**67,548,724**	66,097,591	1,451,133
Negotiable certificates of deposit	**2,824,981**	2,819,588	5,392
Debentures		265,056	(265,056)
Call money and bills sold	**9,169,566**	6,879,141	2,290,425
Payables under repurchase agreements	**2,908,795**	3,316,268	(407,472)
Payables under securities lending transactions	**2,923,613**	3,415,952	(492,339)
Commercial paper	**495,034**	637,006	(141,971)
Trading liabilities	**3,364,589**	2,824,399	540,190
Borrowed money	**1,258,600**	1,342,691	(84,091)
Foreign exchanges	**927,845**	1,081,271	(153,425)
Short-term corporate bonds	**905,700**	340,200	565,500
Bonds and notes	**4,161,181**	3,734,610	426,571
Bonds with warrants	**49,165**	50,000	(835)
Due to trust account	**1,231,315**	1,380,268	(148,953)
Other liabilities	**2,514,606**	3,079,852	(565,245)
Reserve for employees bonuses	**20,444**	16,881	3,562
Reserve for employees retirement benefits	**39,483**	34,932	4,551
Reserve for expenses related to EXPO 2005 Japan	**265**	158	107
Reserves under special laws	**1,457**	1,160	296
Deferred tax liabilities	**56,792**	56,131	661
Deferred tax liabilities on land revaluation excess	**133,149**	138,926	(5,776)
Acceptances and guarantees	**4,595,401**	4,457,806	137,594
Total liabilities	**105,130,715**	101,969,895	3,160,820
Minority interest	**376,966**	350,347	26,619

Shareholders equity:			
Capital stock	**1,383,052**	1,258,052	125,000
Capital surplus	**955,067**	931,309	23,758
Retained earnings	**1,824,292**	1,506,576	317,716
Land revaluation excess	**149,583**	158,044	(8,461)
Unrealized gains on securities available for sale	**591,142**	560,316	30,826
Foreign currency translation adjustments	**(121,752)**	(115,424)	(6,328)
Less treasury stock	**(3,559)**	(3,631)	71
Total shareholders equity	**4,777,825**	4,295,243	482,582
Total liabilities, minority interest and shareholders equity	**110,285,508**	106,615,487	3,670,021

See Notes to Consolidated Financial Statements.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Statements of Operations

	For the year ended March 31,		
	2005 (A)	2004 (B)	(A) - (B)
		(in millions of yen)	
Ordinary income:			
Interest income:			
Interest on loans and discounts	**849,596**	873,427	(23,830)
Interest and dividends on securities	**350,725**	340,494	10,230
Interest on call loans and bills bought	**5,510**	5,009	501
Interest on receivables under resale agreements	**20,753**	12,969	7,784
Interest on receivables under securities borrowing transactions	**21,406**	18,352	3,053
Interest on due from banks	**66,149**	47,185	18,964
Other interest income	**112,525**	120,285	(7,759)
Total interest income	**1,426,668**	1,417,724	8,944
Trust fees	**100,959**	86,461	14,497
Fees and commissions	**567,954**	487,786	80,167
Trading profits	**126,712**	135,647	(8,934)
Other business income	**211,297**	243,377	(32,079)
Other ordinary income	**194,917**	184,186	10,730
Total ordinary income	**2,628,509**	2,555,183	73,326
Ordinary expenses:			
Interest expense:			
Interest on deposits	**198,454**	161,921	36,532
Interest on debentures	**351**	4,030	(3,679)
Interest on negotiable certificates of deposit	**12,356**	6,182	6,173
Interest on call money and bills sold	**7,308**	10,266	(2,957)
Interest on payables under repurchase agreements	**33,730**	31,061	2,669
Interest on payables under securities lending transactions	**37,409**	39,562	(2,153)
Interest on commercial paper	**2,290**	2,937	(647)
Interest on borrowed money	**29,438**	33,768	(4,330)
Interest on short-term corporate bonds	**102**	44	57
Interest on bonds and notes	**63,110**	67,218	(4,107)
Interest on bonds with warrants	**123**	126	(2)
Other interest expense	**35,013**	33,374	1,639
Total interest expense	**419,691**	390,496	29,195
Fees and commissions	**68,402**	66,102	2,300
Trading losses	**1,385**		1,385
Other business expenses	**113,072**	152,803	(39,731)
General and administrative expenses	**1,046,421**	1,047,735	(1,314)
Other ordinary expenses:			
Other	**386,245**	319,674	66,571
Total Other ordinary expenses	**386,245**	319,674	66,571
Total ordinary expenses	**2,035,218**	1,976,811	58,406
Ordinary profit	**593,291**	578,371	14,919
Special gains:			
Gains on sales of premises and equipment	**5,037**	4,376	660
Gains on loans charged-off	**26,182**	26,425	(242)
Reduction in reserve for contingent liabilities from brokering of financial futures transactions		26	26
Reversal of allowance for loan losses	**45,091**	239,965	(194,873)
Refund of enterprise taxes by the Tokyo Metropolitan Government		41,989	41,989
Gains on transfer of the substitutional portion of future pension obligations		26,503	26,503
Other special gains	**543**		543
Total special gains	**76,855**	339,286	(262,431)

Special losses:			
Losses on sales of premises and equipment	**9,314**	15,773	(6,458)
Losses on impairment of fixed assets	**5,059**	21,586	(16,527)
Provision for reserve for contingent liabilities from brokering of securities transactions	**296**	387	(91)
Other special losses		7	(7)
Total special losses	**14,670**	37,754	(23,084)
Income before income taxes and others	**655,475**	879,903	(224,427)
Income taxes-current	**69,321**	45,956	23,365
Income taxes-deferred	**208,966**	230,650	(21,684)
Minority interest	**38,771**	42,480	(3,709)
Net income	**338,416**	560,815	(222,398)

See Notes to Consolidated Financial Statements.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Statements of Capital Surplus and Retained Earnings

	For the year ended March 31,		
	2005 (A)	**2004 (B)**	**(A) - (B)**
		(in millions of yen)	
Consolidated Statements of Capital Surplus			
Balance of capital surplus at beginning of fiscal year	**931,309**	932,016	(707)
Increase:	**146,005**		146,005
Issuance of common stock due to capital increase	**125,000**		125,000
Issuance of common stock due to stock exchange	**21,005**		21,005
Decrease:	**(122,246)**	(707)	(121,538)
Redemption of preferred stock	**(122,100)**		(122,100)
Losses on sales of treasury stock, net of income taxes	**(146)**	(707)	561
Balance of capital surplus at end of fiscal year	**955,067**	931,309	23,758
Consolidated Statements of Retained Earnings			
Balance of retained earnings at beginning of fiscal year	**1,506,576**	962,347	544,228
Increase:	**363,470**	577,123	(213,653)
Net income	**338,416**	560,815	(222,398)
Increase in company accounted for by the equity method	**16,802**		16,802
Reduction in land revaluation excess	**8,057**	16,286	(8,228)
Decrease in consolidated subsidiaries	**195**	22	172
Decrease:	**(45,754)**	(32,895)	(12,858)
Cash dividends	**(45,674)**	(32,891)	(12,782)
Bonuses to directors of consolidated subsidiaries	**(80)**	(3)	(76)
Balance of retained earnings at end of fiscal year	**1,824,292**	1,506,576	317,716

See Notes to Consolidated Financial Statements.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	For the year ended March 31,		
	2005 (A)	2004 (B)	(A) - (B)
	(in millions of yen)		
Cash flows from operating activities:			
Income before income taxes and others	**655,475**	879,903	(224,427)
Depreciation	**109,558**	106,495	3,062
Impairment losses	**5,059**	21,586	(16,527)
Goodwill amortization	**6,301**	551	5,749
Equity in loss (earnings) of affiliates	**(17,686)**	(3,595)	(14,091)
Increase (decrease) in allowance for loan losses	**(89,569)**	(455,972)	366,403
Increase (decrease) in allowance for losses on investment securities	**(523)**	1,194	(1,717)
Increase (decrease) in reserve for employees bonuses	**3,560**	(147)	3,707
Increase (decrease) in reserve for employees retirement benefits	**6,403**	(1,467)	7,871
Increase (decrease) in reserve for expenses related to EXPO 2005 Japan	**107**	107	(0)
Interest income recognized on statement of operations	**(1,426,668)**	(1,417,724)	(8,944)
Interest expenses recognized on statement of operations	**419,691**	390,496	29,195
Investment securities losses (gains)	**13,414**	20,149	(6,734)
Losses (gains) on money held in trust	**(2,091)**	(6,992)	4,901
Foreign exchange losses (gains)	**(109,940)**	495,113	(605,053)
Losses (gains) on sales of premises and equipment	**4,277**	11,395	(7,118)
Net decrease (increase) in trading assets	**(962,201)**	(966,983)	4,782
Net increase (decrease) in trading liabilities	**526,116**	1,260,653	(734,537)
Adjustment of unsettled trading accounts	**(435,610)**	140,034	(575,645)
Net decrease (increase) in loans and bills discounted	**134,069**	(41,889)	175,958
Net increase (decrease) in deposits	**1,430,647**	3,894,086	(2,463,439)
Net increase (decrease) in negotiable certificates of deposit	**5,295**	(1,224,926)	1,230,221
Net increase (decrease) in debentures	**(265,056)**	(371,003)	105,947
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	**(45,093)**	(89,963)	44,870
Net decrease (increase) in due from banks (excluding cash equivalents)	**(934,998)**	597,067	(1,532,066)
Net decrease (increase) in call loans and bills bought and others	**112,285**	(1,592,137)	1,704,422
Net decrease (increase) in receivables under securities borrowing transactions	**(231,517)**	(3,152,785)	2,921,267
Net increase (decrease) in call money and bills sold and others	**1,830,923**	3,315,174	(1,484,251)
Net increase (decrease) in commercial paper	**(138,458)**	(117,078)	(21,380)
Net increase (decrease) in payables under securities lending transactions	**(475,861)**	(399,401)	(76,459)
Net decrease (increase) in foreign exchanges (assets)	**(118,525)**	50,562	(169,088)
Net increase (decrease) in foreign exchanges (liabilities)	**(153,425)**	548,324	(701,749)
Net increase (decrease) in issuance and redemption of short-term corporate bonds	**565,500**	330,200	235,300
Net increase (decrease) in issuance and redemption of unsubordinated bonds and notes	**150,572**	255,847	(105,274)
Net increase (decrease) in due to trust account	**(148,953)**	(21,349)	(127,604)
Interest income (cash basis)	**1,437,507**	1,466,611	(29,104)
Interest expenses (cash basis)	**(370,437)**	(442,499)	72,061
Other	**(81,723)**	(428,749)	347,025
Sub-total	**1,408,420**	3,050,886	(1,642,466)
Income taxes	**(118,928)**	(51,096)	(67,832)
Net cash provided by (used in) operating activities	**1,289,492**	2,999,790	(1,710,298)
Cash flows from investing activities:			
Purchases of investment securities	**(73,847,581)**	(47,839,599)	(26,007,981)
Proceeds from sales of investment securities	**38,695,854**	29,004,862	9,690,991
Proceeds from maturities of investment securities	**34,765,675**	14,981,518	19,784,156

Increase in money held in trust	**(42,996)**	(65,949)	22,953
Decrease in money held in trust	**56,450**	9,349	47,101
Purchases of premises and equipment	**(38,372)**	(49,867)	11,494
Proceeds from sales of premises and equipment	**24,782**	59,827	(35,045)
Decrease in transfer of operations by consolidated subsidiaries	**(14,739)**		(14,739)
Additional purchases of equity of consolidated subsidiaries	**(1,319)**		(1,319)
Proceeds from sales of equity of subsidiaries resulting exclusion from consolidation	**17**	5,948	(5,930)
Net cash provided by (used in) investing activities	**(402,229)**	(3,893,910)	3,491,681
Cash flows from financing activities:			
Increase in subordinated borrowings	**128,200**	112,499	15,700
Decrease in subordinated borrowings	**(118,150)**	(174,999)	56,849
Increase in subordinated bonds and notes and bonds with warrants	**349,028**	304,155	44,873
Decrease in subordinated bonds and notes and bonds with warrants	**(88,540)**	(323,285)	234,744
Proceeds from issuance of common stock	**252,683**	10,000	242,683
Proceeds from issuance of common stock to minority shareholders	**7,852**	38,407	(30,554)
Decrease in redemption of preferred stock	**(122,100)**		(122,100)
Dividend paid by the parent	**(45,645)**	(32,850)	(12,795)
Dividend paid by subsidiaries to minority shareholders	**(10,499)**	(5,678)	(4,820)
Purchases of treasury stock	**(921)**	(467)	(454)
Proceeds from sales of treasury stock	**1,163**	949	214
Purchases of treasury stock by consolidated subsidiaries	**(21,436)**		(21,436)
Proceeds from sales of treasury stock by consolidated subsidiaries	**287**		287
Net cash provided by (used in) financing activities	**331,922**	(71,269)	403,192
Effect of exchange rate changes on cash and cash equivalents	**(8,208)**	(49,616)	41,407
Net increase (decrease) in cash and cash equivalents	**1,210,977**	(1,015,005)	2,225,982
Cash and cash equivalents at beginning of fiscal year	**3,034,525**	4,049,530	(1,015,005)
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	**(2,425)**		(2,425)
Cash and cash equivalents at end of fiscal year	**4,243,076**	3,034,525	1,208,551

See Notes to Consolidated Financial Statements.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Notes related to the Consolidated Balance Sheet as of March 31, 2005 are as follows:

1. Basis of Presentation

The accompanying Consolidated Balance Sheet of Mitsubishi Tokyo Financial Group, Inc. (MTFG) and its subsidiaries is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to the application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

2. Trading Assets and Liabilities

Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in Trading assets and Trading liabilities on a trade date basis.

Trading assets and Trading liabilities are stated at market value at fiscal year end.

3. Investment Securities

Debt securities being held to maturity are stated at amortized cost computed by the moving-average method (straight-line amortization). Other securities (securities available for sale) whose current value can be estimated are stated at market value at fiscal year end (sale cost is calculated by the moving-average method) and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on securities available for sale are included in shareholders equity, net of income taxes, other than the case that the securities embedding derivatives are measured at fair value in their entirety and the change in the fair value is recognized in current earnings.

4. Securities in Money Held in Trust

Securities included in Money held in trust of sole investments mainly for the purpose of securities investments are stated at the same method as described in notes 2. and 3. Unrealized gains and losses on Money held in trust other than trading purpose and being held to maturity are included in shareholders equity, net of income taxes.

5. Derivatives

Derivatives for purposes other than trading are stated at market value in principle.

6. Premises and Equipment

Depreciation for buildings and equipment of MTFG and its domestic banking subsidiary and trust banking subsidiary is computed using the declining-balance method.

Principal estimated useful lives are as follows:

Buildings	15 years to 50 years
Equipment and furniture	4 years to 15 years

Depreciation for buildings and equipment of other consolidated subsidiaries is computed principally using the straight-line method based on the estimated useful lives.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Software

Costs of computer software developed or obtained for internal use are deferred and amortized using the straight-line method over the estimated useful lives of 5 to 10 years.

8. Bond Discount, Bonds Issuance Costs and Stock Issuance Costs

Bonds discount is amortized over the remaining life of the bond.

In addition, Bonds issuance costs and stock issuance costs are charged to expenses when incurred.

9. Translation of Foreign Currency Items

Foreign currency assets and liabilities and overseas branches accounts of MTFG s domestic banking subsidiary and trust banking subsidiary are principally translated into yen equivalents at the exchange rates prevailing at fiscal year end, except equity securities of affiliated companies which are translated into yen equivalents at the exchange rates prevailing at the acquisition date for those securities.

Foreign currency assets and liabilities of other consolidated subsidiaries are principally translated into yen equivalents at the exchange rates prevailing at fiscal year end of each company.

10. Allowance for Loan Losses

An allowance for loan losses of MTFG s primary domestic consolidated subsidiaries is provided as detailed below, pursuant to the internal rules for self-assessment of asset quality and the internal rules for providing allowances for credit losses:

For claims to debtors who are legally bankrupt (due to bankruptcy, special liquidation, suspension of transactions with banks by the rules of clearing houses, etc.) or virtually bankrupt, an allowance is provided based on the amount of claims, after the charge-off as stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

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

For claims to debtors who are likely to become bankrupt and to be closely watched for which future cash flows could be reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claim.

For other claims, an allowance is provided based on historical loan loss experience.

The allowance for loans to specific foreign borrowers is provided based on the amount of expected losses due to the political and economic situation of their respective countries.

All claims are assessed by the branches and credit supervision divisions based on the internal rules for self-assessment of asset quality. The credit examination divisions, which are independent from branches and credit supervision divisions, subsequently conduct audits of their assessments, and an allowance is provided based on audit results.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged-off and the amount was ¥424,707 million.

An allowance for loan losses of other consolidated subsidiaries is provided based on historical loan losses experience or estimated collectibility of specific claims.

11. Allowance for Losses on Investment Securities

An allowance for losses on investment securities is provided based on the estimated losses on non-marketable debt securities.

12. Reserve for Employees Bonuses

A reserve for employees bonuses is provided for the payment of employees bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

13. Reserve for Employees Retirement Benefits

A reserve for employees retirement benefits is provided for the payment of employees retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related pension assets. Prior service cost is amortized using the straight-line method over 10 years. Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence. The unrecognized net retirement benefit obligation at the adoption of new accounting standard is being amortized using the straight-line method over 5 years.

Effective April 1, 2004, the MTFG Group adopted Financial Accounting Standard No. 3, Revision of part Accounting Standards for Retirement Benefit issued by the Business Accounting Council on March 16, 2005 and Financial Accounting Standard Implementation Guidance No. 7, Revision of part Implementation Guidance for Accounting Standard for Retirement Benefit issued by the Accounting Standards Board of Japan, ASBJ on March 16, 2005, because their early adoption in the fiscal year ended March 31, 2005 was permitted.

This influence increases ordinary profit and income before income taxes and others for 4,844 million yen.

14. Equipment Used under Finance Lease Agreements

Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those leases which transfer ownership of leased equipment to the lessee, in which case the equipment is capitalized.

15. Hedge Accounting for Interest Rate Risks

With respect to hedge accounting for interest rate risks arising from financial assets and liabilities, MTFG s domestic banking subsidiary and trust banking subsidiary, have principally adopted portfolio hedges or individual hedges prescribed in the Report No. 24 and the Accounting Committee Report No. 14, Practical Guidelines for Accounting for Financial Instruments issued by the JICPA on January 31, 2000. The method of the hedge accounting is the deferral method.

In hedging activities to offset changes in the fair value of fixed rate deposits and loans etc., MTFG s domestic banking subsidiary and trust banking subsidiary distinguish hedged items by grouping the hedged items by their

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

maturities and designate interest rate swap transactions etc. as hedging instruments individually or in accordance with the Industry Audit Committee Report No. 24. In hedging activities offsetting changes in the fair value of fixed rate bonds, they distinguish hedged items by individual bond or identical type of bonds and designate interest rate swap transactions etc. as hedging instruments.

In hedging activities to fix forecasted cash flows on variable rate or short-term fixed rate deposits and loans etc., MTFG s domestic banking subsidiary and trust banking subsidiary distinguish hedged items by grouping the hedged items by their index interest rates and repricing terms and designate interest rate swap transactions etc. as hedging instruments in accordance with the Industry Audit Committee Report No. 24. Since material terms related to the hedged items and hedging instruments are substantially identical, hedge relationship is deemed to be highly effective and the hedge effectiveness testing is substituted. Effectiveness is also tested by correlation of fluctuation factors in interest rates.

Deferred hedge losses and deferred hedge gains recorded on the balance sheet as of March 31, 2003 as a result of the macro hedge accounting are realized as expenses or income over the remaining lives of the hedging instruments (at most 15 years from 2003). Deferred hedge losses and deferred hedge gains attributable to the macro hedge accounting as of March 31, 2005 were ¥109,297 million and ¥139,766 million, respectively.

16. Hedge Accounting for Foreign Exchange Risks

With respect to hedge accounting for foreign exchange risks attributable to foreign-currency-denominated financial assets and liabilities, MTFG s domestic banking subsidiary and trust banking subsidiary have applied the deferral hedge accounting by distinguishing hedged items by grouping the foreign-currency-denominated financial assets and liabilities by currencies and designating currency swap transactions and forward exchange contracts (funds swap transactions) as hedging instruments, pursuant to the Industry Audit Committee Report No. 25.

They also engage in portfolio hedge to hedge foreign exchange risk attributable to foreign-currency-denominated investments in affiliated companies and foreign-currency-denominated securities available for sale (other than bonds), using foreign-currency-denominated liabilities and forward exchange contracts as hedging instruments. They apply the deferral hedge method to foreign-currency-denominated investments in affiliated companies and the fair value hedge method to foreign-currency-denominated securities available for sale (other than bonds).

17. Intercompany and Intracompany Swap Transactions

With respect to the intercompany and intracompany derivative transactions, realized gains (losses) or valuation gains (losses) on the interest rate swap transactions and currency swap transactions are reported in current earnings or deferred as assets or liabilities without elimination if mirror transactions with the third parties against these swap transactions designated as hedging instruments are appropriately conducted in conformity with the non-arbitrary and strict hedging policy in accordance with the Industry Audit Committee Report No. 24 and No. 25.

18. Consumption Taxes

The National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts. The portion of the National Consumption Tax and the Local Consumption Tax, which were paid on the purchase of premises and equipment and which are not deductible as a tax credit, are charged to expenses when incurred.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

19. Reserve for Expenses Related to EXPO 2005 Japan

A reserve for expenses related to EXPO 2005 Japan is provided for the expenses related to the participation in the EXPO 2005 Japan based on the estimated contractual participation expenses allocated over the period. The reserve is provided pursuant to Article 43 of the Commercial Code and includes the allowance provided pursuant to Article 68-52 of the Special Taxation Measures Law.

20. Reserves under Special Laws

Pursuant to Article 82 of the Financial Futures Transactions Law, a reserve for contingent liabilities from brokering of financial futures transactions of ¥31 million was provided.

Pursuant to Article 51 of the Securities and Exchange Law, a reserve for contingent liabilities from brokering of securities transactions of ¥1,426 million was provided.

21. Consolidated Corporate-tax System

MTFG and certain domestic consolidated subsidiaries adopt consolidated corporate-tax system, with MTFG being a parent company under the system. MTFG s application to suspend the consolidated corporate-tax system from the fiscal year ending March 31, 2006 was approved by the Japanese tax authorities.

22. Impairment of Fixed Assets

Effective April 1, 2003, the MTFG Group adopted Accounting Standards for Impairment of Fixed Assets issued by the Business Accounting Council on August 9, 2002 and Financial Accounting Standard Implementation Guidance No. 6, Implementation Guidance for Accounting Standard for Impairment of Fixed Assets issued by the Accounting Standards Board of Japan, ASBJ on October 31, 2003, because their early adoption in the fiscal year ended March 31, 2004 was permitted.

23. Due from Directors of MTFG

Due from directors of MTFG was ¥87 million.

24. Accumulated Depreciation

Accumulated depreciation on premises and equipment was ¥611,981 million.

25. Accumulated Deferred Gains on Sales of Real Estate

Accumulated deferred gains on sales of real estate of ¥42,676 million were deducted from the acquisition cost of newly acquired premises and equipment.

26. Lease Contracts

Other than premises and equipment which are reported on the consolidated balance sheet, some electronic computers are used by the lease contracts.

27. Nonaccrual Loans

Loans to customers in bankruptcy and past due loans are included in Loans and bills discounted, and the amounts were ¥18,136 million and ¥779,424 million, respectively. The amount of past due loans included loans of ¥581 million entrusted to the Resolution and Collection Corporation, which facilitates the removal of problem loans from balance sheet.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons. Loans to customers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Past due loans are nonaccrual loans other than loans to customers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of debtors in financial difficulties.

28. Accruing Loans Contractually Past Due 3 Months or More

Accruing loans contractually past due 3 months or more are included in Loans and bills discounted, and the amount was ¥10,412 million. Loans classified as loans to customers in bankruptcy or past due loans are excluded.

29. Restructured Loans

Restructured loans are included in Loans and bills discounted, and the amount was ¥427,715 million. Such restructured loans are loans on which concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount or maturity amount of the debt or accrued interest) have been granted to debtors in financial difficulties to assist them in their financial recovery and eventually to be able to repay to creditors. Loans classified as loans to customers in bankruptcy, past due loans or accruing loans contractually past due 3 months or more are excluded.

30. Nonaccrual Loans, Accruing Loans Contractually Past Due 3 Months or More and Restructured Loans

Total amount of nonaccrual loans, accruing loans contractually past due 3 months or more and restructured loans was ¥1,235,689 million. The amount of past due loans included loans of ¥581 million entrusted to the Resolution and Collection Corporation, which facilitates the removal of problem loans from balance sheet.

The amounts reflected in Notes 27. to 30. represent the gross receivable amounts prior to reduction for the allowance for loan losses.

31. Bills Discounted

Bills discounted are accounted for as secured lending transactions in conformity with the Industry Audit Committee Report No.24. Bills accepted by other banks, commercial bills, bills of exchange, and foreign bills bought discounted by MTFG s domestic banking subsidiary and trust banking subsidiary are permitted to be sold or pledged and the total face value was ¥751,857 million.

32. Assets Pledged

Assets pledged as collateral were as follows:

Cash and due from banks	¥ 1,675 million
Monetary claims bought	¥ 4,398 million
Trading assets	¥ 245,293 million
Investment securities	¥ 3,683,744 million
Loans and bills discounted	¥ 4,379,872 million
Premises and equipment	¥ 5,243 million

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Liabilities related to the pledged assets were as follows:

Deposits	¥ 217,312 million
Call money and bills sold	¥ 7,823,636 million
Borrowed money	¥ 6,732 million
Bonds	88,661 million
Other liabilities	¥ 6,271 million
Acceptances and guarantees	¥ 1,672 million

In addition, Cash and due from banks of ¥236,218 million, Monetary claims bought of ¥14 million, Trading assets of ¥858 million, Investment securities of ¥5,761,340 million, Loans and bills discounted of ¥1,179,761 million and Other assets of ¥2,773 million were pledged as collateral for settlement of exchange or derivatives transactions or as valuation margin.

Commercial paper and other debt purchased of ¥128,790 million, Trading assets of ¥2,252,767 million and Investment securities of ¥2,217,706 million were sold under repurchase agreements or lent under secured lending transactions, and Payables under repurchase agreements of ¥1,989,470 million and Payables under securities lending transactions of ¥2,068,557 million were corresponding.

Bills rediscounted are accounted for secured borrowing transactions in conformity with the Industry Audit Committee Report No.24. The total face value of bills accepted by other banks, commercial bills, and bills of exchange rediscounted by MTFG s domestic banking subsidiary and trust banking subsidiary was ¥5,721 million.

33. Land Revaluation Excess

Pursuant to the Law concerning Revaluation of Land, promulgated on March 31, 1998, land used for business operations of domestic subsidiaries has been revalued as of the following dates. Land revaluation excess is included in Shareholders equity, net of income taxes. The land revaluation excess includes MTFG s ownership percentage of affiliated companies land revaluation excess.

Date of the revaluation:	
Domestic banking subsidiary	March 31, 1998
Domestic trust banking subsidiary	March 31, 2002
Other domestic subsidiaries	December 31, 2001

The method of the revaluation as set forth in Article 3, Paragraph 3 of the Law:

Pursuant to Article 2, Subparagraph 4 of the Enforcement Ordinance for the Law concerning Revaluation of Land, the land price for the revaluation is determined based on the method established and published by the Director General of National Tax Agency in order to calculate the land value for a basis of determining the taxable amount subject to land value tax prescribed by Article 16 of the Land Value Tax Law, reflecting appropriate adjustments for land shape and timing of the assessment and based on real estate appraisal information defined by Article 5 of the Law.

The difference between the total fair value of the land used for business operations which had been revalued pursuant to Article 10 of the Law and the total book value of such land as of March 31,2005 was ¥95,796 million.

Land used for business operations of a certain affiliated company has been revalued as of March 31, 2002.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

34. Subordinated Borrowings

Subordinated borrowings of ¥718,273 million were included in Borrowed money.

35. Subordinated Bonds

Subordinated bonds of ¥1,768,667 million were included in Bonds and notes.

36. Guaranteed Trusts

Principal amounts of Jointly operated designated money trusts and Loan trusts of MTFG s trust banking subsidiary, for which repayment of the principal to the customers is guaranteed, were ¥947,087 million and ¥843,311 million, respectively.

37. Net Assets per Common Share

Net assets per common share were ¥673,512.65.

38. Write Down of Investment Securities

Marketable securities other than trading securities are written down when a decline in the market value below the cost of the securities is substantial and the valuation differences are recognized as losses, based upon the judgment that the decline in market value is other than temporary at the current fiscal year-end. A substantial decline in the market value is recognized based on the classification of issuers as follows, pursuant to the internal rules for self-assessment of asset quality:

Issuers who are legally bankrupt, virtually bankrupt or likely to become bankrupt: Market value is lower than cost

Issuers who are to be closely watched: Market value is 30% or more lower than cost

Other issuers: Market value is 50% or more lower than cost

39. Market Value of Securities

Market value and valuation differences of securities were as follows. Securities below include trading securities, trading commercial paper and trading short-term corporate bonds classified as Trading assets, negotiable certificates of deposits classified as Cash and due from banks and investments in commodity investment trusts classified as Commercial paper and other debt purchased. The same definition is applied in Notes 39. to 42.

Trading securities

Balance sheet amount	¥ 6,698,934 million
Valuation losses included in Income before income taxes and others	¥ 15,850 million

Marketable debt securities being held to maturity

	Balance sheet amount	Market value	Differences	Gains	Losses
		(in millions of yen)			
Domestic bonds	2,129,512	2,151,597	22,084	22,084	
Government bonds	1,998,988	2,015,408	16,419	16,419	
Municipal bonds	91,063	95,070	4,006	4,006	
Corporate bonds	39,460	41,119	1,658	1,658	
Other securities	281,510	282,991	1,480	1,652	171
Foreign bonds	45,276	46,757	1,480	1,652	171
Other	236,233	236,233			
Total	2,411,022	2,434,588	23,565	23,737	171

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Marketable securities available for sale

	Cost	Balance sheet amount	Valuation differences	Gains	Losses
			(in millions of yen)		
Domestic equity securities	2,433,742	3,327,798	894,056	961,169	67,113
Domestic bonds	14,992,366	15,046,461	54,095	60,823	6,728
Government bonds	13,031,392	13,073,529	42,136	48,616	6,479
Municipal bonds	138,727	140,290	1,563	1,647	83
Corporate bonds	1,822,246	1,832,641	10,394	10,560	165
Other securities	7,599,196	7,636,994	37,797	97,301	59,503
Foreign equity securities	32,449	47,879	15,430	15,842	411
Foreign bonds	5,203,857	5,207,276	3,418	45,567	42,149
Other	2,362,890	2,381,839	18,948	35,891	16,942
Total	25,025,305	26,011,255	985,949	1,119,294	133,345

Among the valuation differences above, the amounts of shareholders equity, net of income taxes were ¥985,853 million as a result of recognizing ¥95 million profits, which were related to the securities embedding derivatives and measured in their entirety, in current earnings. Those amounts, gross of ¥8,002 million of unrealized gains on securities as composition asset of unions and net of ¥403,297 million of related deferred tax liabilities, were ¥590,558 million. Net valuation differences, excluding minority interest of ¥2,118 million and adding MTFG s ownership percentage of affiliates unrealized gains on securities available for sale of ¥2,702 million, were ¥591,142 million which were recorded in Unrealized gains on securities available for sale.

40. Securities Available for Sale Sold

Securities available for sale sold during the fiscal year were as follows:

Proceeds from sales	Gains	Losses
	(in millions)	
¥38,739,453	¥ 199,890	¥ 103,745

41. Securities Not Stated at Market Value

The balance sheet amounts of principal securities not stated at market value were as follows:

	Balance sheet amount
Debt Securities being held to maturity	
Foreign bonds	¥ 15,849 million
Securities available for sale	
Domestic equity securities	¥ 1,048,627 million
Domestic corporate bonds	¥ 627,113 million
Foreign bonds	¥ 40,202 million

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

42. Redemption Schedule of Bonds

Redemption schedule of bonds classified as securities available for sale and being held to maturity was as follows:

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	(in millions of yen)			
Domestic bonds	5,384,414	9,967,512	1,168,328	1,286,366
Government bonds	4,774,819	8,057,427	984,121	1,256,149
Municipal bonds	39,411	136,975	58,502	
Corporate bonds	570,183	1,773,109	125,704	30,217
Other bonds	800,946	2,432,203	1,247,465	2,704,244
Foreign bonds	498,253	2,227,960	958,137	1,585,857
Other	302,693	204,242	289,328	1,118,387
Total	6,185,361	12,399,715	2,415,793	3,990,611

43. Money Held in Trust

Classification of Money held in trust was as follows:

Money held in trust for trading purposes	
Balance sheet amount	¥ 323,683 million
Valuation gains included in Income before income taxes and others	¥ 3,311 million

Other Money held in trust

Cost	Balance sheet amount	Valuation differences	Gains	Losses
	(in millions)			
¥132,797	¥ 132,797			

44. Securities Lent/Borrowed

Unsecured securities lent for which borrowers have rights of sale or pledge were included in Investment securities and the amount was ¥1,116 million.

With respect to borrowed securities and purchased securities under resale agreements that are permitted to be sold or pledged, ¥2,144,838 million were pledged, ¥315,158 million were lent and ¥4,978,227 million were held at hand at this fiscal year end.

45. Loan Commitments

Contracts of overdraft facilities and loan commitment limits are contracts under which customers are lent to up to the prescribed limits in response to the customers application for a loan as long as there is no violation of any condition in the contracts. The unused amount within the limits relating to these contracts was ¥32,166,498 million.

Since many of these commitments expire without being drawn, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow MTFG and its consolidated subsidiaries to refuse the customers application for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers creditworthiness, etc.). At the inception of

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

contracts, MTFG and its consolidated subsidiaries obtain real estate, securities, etc. as collateral if considered to be necessary. Subsequently, MTFG and its consolidated subsidiaries perform periodic reviews of the customers business results based on internal rules, and take necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

46. Employees Retirement Benefits

The funded status and amounts recognized in the Consolidated Balance Sheet were as follows:

	(in millions of yen)
Projected benefit obligation	(1,039,504)
Fair value of plan assets	1,009,866
Projected benefit obligation in excess of plan assets	(29,637)
Unrecognized net actuarial loss	225,854
Unrecognized prior service cost	(33,436)
Net amount recognized in the Consolidated Balance Sheet	162,780
Prepaid pension costs	202,264
Reserve for employees retirement benefits	(39,483)

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Notes related to the Consolidated Statement of Operations for the year ended March 31, 2005 are as follows:

1. Basis of Presentation

The accompanying Consolidated Statement of Operations is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

2. Net Income per Common Share

Net income per common share was ¥51,086.02.

3. Trading Profits and Losses

Profits and losses on trading transactions (dividends and interest, gains or losses on sales, and valuation gains or losses) are shown as Trading profits or Trading losses on a trade date basis.

4. Other Ordinary Income

Other ordinary income included gains on sales of equity securities of ¥86,386 million.

5. Other Ordinary Expenses

Other ordinary expenses included losses on sales or exchange of loans and other claims of ¥111,962 million, losses on equity securities charge-offs of ¥109,078 million and losses on loan charge-offs of ¥83,863 million.

6. Enterprise Taxes

With the implementation of the Revision of the Local Tax Law (Legislation No.9, March, 2003) on March 31, 2003, a part of tax basis of enterprise taxes was changed to amount of value-added and amount of capital in the fiscal year started April 1, 2004. MTFG and certain domestic consolidated subsidiaries have presented enterprise taxes computed based on amount of value-added and amount of capital in general and administrative expenses in the Consolidated Statement of Operations based on Practical Treatment of Presentation in Income Statement for Enterprise Taxes through External Standards Taxation (February 13, 2004, ASBJ-Report of Practical Issues No.12).

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note related to the Consolidated Statement of Capital Surplus and Retained Earnings for the year ended March 31, 2005 is as follows:

1. Basis of Presentation

The accompanying Consolidated Statement of Capital Surplus and Retained Earnings is compiled as required by the Banking Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as compared to application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Notes related to the Consolidated Statement of Cash Flows for the year ended March 31, 2005 are as follows:

1. Basis of Presentation

The accompanying Consolidated Statement of Cash Flows is compiled as required by the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as compared to application and disclosure requirements of International Accounting Standards. For the convenience of readers, the presentation is modified in certain respects from the original Japanese report. The amounts are presented in millions of yen and are rounded down to the nearest million.

2. Definition of Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as those amounts included in Cash and due from banks excluding time deposits and negotiable certificates of deposits in other banks.

3. Reconciliation to the Cash and Cash Equivalents

The reconciliation of the Cash and due from banks in the Consolidated Balance Sheet to the Cash and cash equivalents at end of fiscal year is as follows:

	(in millions)
Cash and due from banks	¥ 8,655,835
Time deposits and negotiable certificates of deposit in other banks	(4,412,758)
Cash and cash equivalents at end of fiscal year	¥ 4,243,076

4. Transfer operations

Major assets and liabilities increased due to transfer operations by subsidiaries are as follows;

	(in millions)
Loan	¥ 127,841
Deposit	¥ 113,627

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Mitsubishi Tokyo Financial Group, Inc., and Subsidiaries

Significant Policies in Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 146
Significant companies

The Bank of Tokyo-Mitsubishi, Ltd.

The Mitsubishi Trust and Banking Corporation

(2) Number of non-consolidated subsidiaries
Companies

KOKUSAI Europe Limited

KOKUSAI America Incorporated

Non-consolidated subsidiaries are excluded from the scope of consolidation since their assets, ordinary income, and our ownership percentage of their net income or retained earnings do not have a material impact on our results of operations or financial condition.

2. Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 25
Significant companies

ACOM CO., LTD.
Diamond Lease Co., Ltd.
Diamond Computer Service Co., Ltd.
BOT Lease Co., Ltd.

The Master Trust Bank of Japan, Ltd.
M&T Information Technology Co., Ltd.
MTBC Bank Deutschland GmbH

ACOM CO., LTD. is included in affiliated companies accounted for by the equity method due to acquirement of shares from this fiscal year.

(2) Number of non-consolidated subsidiaries not accounted for by the equity method
Companies

KOKUSAI Europe Limited

KOKUSAI America Incorporated

Non-consolidated subsidiaries not accounted for by the equity method are excluded from the scope of the equity method since our ownership percentage of their net income or retained earnings do not have a material impact on our consolidated financial statements.

3. Fiscal Year Ends of Consolidated Subsidiaries

(1) Fiscal year ends of consolidated subsidiaries are as follows:

October 31	: 2	subsidiaries	February 28	: 1	subsidiary
December 31	: 98	subsidiaries	March 31	: 45	subsidiaries

(2) Subsidiaries whose fiscal year ends are October 31 are consolidated based on their financial statements ended on January 31. Other subsidiaries are consolidated based on financial statements for their respective fiscal year ends. Significant transactions occurred during the intervening periods are reflected in the consolidated financial statements.

4. Valuation of Assets and Liabilities of Consolidated Subsidiaries

All assets and liabilities of consolidated subsidiaries are measured at fair value when they are included in the scope of consolidation.

5. Amortization of Goodwill

Goodwill is charged to expenses when incurred. Goodwill depends on affiliated companies accounted for by the equity method is charged to expenses when incurred. Goodwill depends on ACOM CO., LTD. is evenly charged to expenses in 10 years from the fiscal year of incurrence.

6. Appropriation of Capital Surplus and Retained Earnings

Consolidated Statements of Capital Surplus and Retained Earnings is prepared based on capital surplus and retained earnings appropriated during the fiscal year of consolidated financial statements.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Segment Information

1. Business segment information

<For the year ended March 31, 2005>

	Banking	Trust Banking	Securities	Other	Total	(Elimination)	Consolidated
				(in millions of yen)			
Ordinary income	1,873,168	491,801	191,534	369,379	2,925,884	(297,374)	2,628,509
Ordinary income from customers	1,838,729	475,148	175,469	139,161	2,628,509		2,628,509
Internal ordinary income among segments	34,438	16,653	16,064	230,217	297,374	(297,374)	
Ordinary expenses	1,436,466	350,262	181,858	141,728	2,110,316	(75,098)	2,035,218
Ordinary profit	436,702	141,539	9,675	227,650	815,567	(222,276)	593,291
Assets	87,636,361	16,482,412	7,727,317	2,034,737	113,880,828	(3,595,320)	110,285,508
Depreciation	77,150	17,141	12,296	2,970	109,558		109,558
Capital expenditures	76,512	17,060	7,732	7,260	108,566		108,566

Notes:

1. Amounts are rounded down to the nearest million yen.
2. Other primarily includes credit card and leasing businesses.
3. Ordinary profit for Other includes of 214,015 million yen from MTFG s domestic banking subsidiary and trust banking subsidiary.
4. Effective April 1, 2004, the MTFG Group adopted Financial Accounting Standard No. 3, Revision of part Accounting Standards for Retirement Benefit issued by the Business Accounting Council on March 16, 2005 and Financial Accounting Standard Implementation Guidance No. 7, Revision of part Implementation Guidance for Accounting Standard for Retirement Benefit issued by the Accounting Standards Board of Japan, ASBJ on March 16, 2005, because their early adoption in the fiscal year ended March 31, 2005 was permitted.
   As a result, ordinary profit and income before income taxes and others increased by 4,844 million yen, and its effect in the Trust Banking segment and the Other segment was 4,799 million yen and 45 million yen, respectively.

<For the year ended March 31, 2004>

	Banking	Trust Banking	Securities	Other	Total	(Elimination)	Consolidated
				(in millions of yen)			
Ordinary income	1,784,643	499,122	195,954	207,973	2,687,694	(132,510)	2,555,183
Ordinary income from customers	1,758,067	483,201	179,776	134,137	2,555,183		2,555,183
Internal ordinary income among segments	26,576	15,920	16,177	73,836	132,510	(132,510)	
Ordinary expenses	1,392,766	368,205	152,144	129,868	2,042,984	(66,173)	1,976,811

Ordinary profit	391,877	130,916	43,810	78,104	644,709	(66,337)	578,371
Assets	82,744,892	19,245,673	6,263,561	1,760,740	110,014,868	(3,399,381)	106,615,487
Depreciation	75,220	15,984	12,927	2,363	106,495		106,495
Capital expenditures	124,701	22,154	9,216	5,235	161,308		161,308

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Notes:

1. Amounts are rounded down to the nearest million yen.
2. Other primarily includes credit card and leasing businesses.
3. In the previous fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary adopted the transitional treatments prescribed in the Industry Audit Committee Report No. 25, Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry issued by the Japanese Institute of Certified Public Accountants (the JICPA) on July 29, 2002. According to the transitional treatments, currency swap transactions and fund swap transactions for the purpose of funds borrowing/lending in different currencies were accounted for on an accrual basis as financing transactions in accordance with the Industry Audit Committee Report No. 20, Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry issued by the JICPA on November 14, 2000. In the current fiscal year, such swap transactions are stated at market value as derivative transactions and net assets or liabilities are recorded on the balance sheet in accordance with the standard treatments of the Industry Audit Committee Report No. 25.

   As a result, assets increased by 62,207 million yen, and its effect in the Banking segment and the Trust Banking segment was 59,734 million yen and 2,473 million yen, respectively.

   In the previous fiscal year, the translation adjustments of forward exchange transactions and other relevant transactions in MTFG s domestic banking subsidiary were reported as other in Other assets or other in Other liabilities on a net basis by applying the transitional treatments prescribed in the Industry Audit Committee Report No. 25. In the current fiscal year, they are reported as trading derivative financial instruments in Trading assets and Trading liabilities or as derivative financial instruments in Other assets and Other liabilities on a gross basis in accordance with the standard treatments of the Report No. 25. The translation adjustments of forward exchange transactions and other relevant transactions in MTFG s domestic trust banking subsidiary were reported as other in Other assets or other in Other liabilities. In the current fiscal year, they are reported as trading derivative financial instruments in Trading assets and Trading liabilities or as derivative financial instruments in Other assets and Other liabilities. As a result, assets increased by 467,635 million yen, and its effect in the Banking segment and the Trust Banking segment was 466,600 million yen and 1,034 million yen, respectively.

4. The derivatives, which were embedded in hybrid financial instruments and not required to be accounted separately from the host contracts, had been accounted for on an accrual basis together with the host contracts. Since the beginning of the current fiscal year, such embedded derivatives have been measured at market value and their valuation gains (losses) have been reported in current earnings if they are managed separately from the host contracts.

   Such hybrid financial instruments had been risk adjusted items in the macro hedge accounting. Since the beginning of the current fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary have adopted the standard treatments of the Industry Audit Committee Report No. 24 and, therefore, valuation gains (losses) on the derivatives which used to be risk adjusting instruments in the macro hedge accounting are reported in current earnings. In response to this change, they changed the accounting for the embedded derivatives, which had been accounted together with the host contracts, and measured them at market value and reported their valuation gains (losses) in current earnings if they are managed separately from the host contracts. As a result, ordinary profit increased by 10,435 million yen, and its effect in the Banking segment and the Trust Banking segment was 8,885 million yen and 1,550 million yen, respectively.

5. In the current fiscal year, a part of derivative business for trading purpose of MTFG s domestic banking subsidiary is transplanted to Mitsubishi Securities Co., Ltd.. Therefore, ordinary profit and expenses for Securities includes that for the transplanted business.

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2. Geographic segment information

<For the year ended March 31, 2005>

	Japan	North America	Latin America	Europe/ Mid. East	Asia/Oceania excl. Japan	Total	(Elimination)	Consolidated
				(in millions of yen)				
Ordinary income	1,924,139	471,617	27,764	224,702	122,632	2,770,856	(142,346)	2,628,509
Ordinary income from customers	1,875,500	453,987	5,945	194,156	98,918	2,628,509		2,628,509
Internal ordinary income among segments	48,638	17,629	21,818	30,545	23,713	142,346	(142,346)	
Ordinary expenses	1,480,549	340,051	33,909	212,207	93,459	2,160,177	(124,959)	2,035,218
Ordinary profit (loss)	443,590	131,565	(6,144)	12,494	29,172	610,678	(17,387)	593,291
Assets	93,822,187	12,381,414	1,606,169	7,556,906	5,211,107	120,577,784	(10,292,276)	110,285,508

Notes:

1. Amounts are rounded down to the nearest million yen.
2. North America includes United States and Canada. Latin America primarily includes the Caribbean and Brazil. Europe/Middle East primarily includes United Kingdom, Germany and Netherlands. Asia/Oceania excluding Japan primarily includes Hong Kong, Singapore and China.
3. Effective April 1, 2004, the MTFG Group adopted Financial Accounting Standard No. 3, Revision of part Accounting Standards for Retirement Benefit issued by the Business Accounting Council on March 16, 2005 and Financial Accounting Standard Implementation Guidance No. 7, Revision of part Implementation Guidance for Accounting Standard for Retirement Benefit issued by the Accounting Standards Board of Japan, ASBJ on March 16, 2005, because their early adoption in the fiscal year ended March 31, 2005 was permitted.

As a result, ordinary profit and income before income taxes and others increased by 4,844 million yen, and its effect in Japan was 4,699 million yen, and North America was 58 million yen, and Europe/Mid. East was 43 million yen, and Asia/Oceania was 43 million yen, respectively.

<For the year ended March 31, 2004>

	Japan	North America	Latin America	Europe/ Mid. East	Asia/Oceania excl. Japan	Total	(Elimination)	Consolidated
				(in millions of yen)				
Ordinary income	1,866,140	453,420	34,632	251,594	105,176	2,710,964	(155,780)	2,555,183
Ordinary income from customers	1,791,099	445,309	12,734	212,057	93,982	2,555,183		2,555,183
Internal ordinary income among segments	75,041	8,111	21,897	39,537	11,193	155,780	(155,780)	
Ordinary expenses	1,480,462	316,804	40,581	198,885	75,377	2,112,111	(135,299)	1,976,811
Ordinary profit (loss)	385,678	136,616	(5,949)	52,709	29,798	598,853	(20,481)	578,371
Assets	89,689,123	12,381,390	1,448,174	8,874,638	4,844,420	117,237,747	(10,622,260)	106,615,487

Notes:

1. Amounts are rounded down to the nearest million yen.
2. North America includes United States and Canada. Latin America primarily includes the Caribbean and Brazil. Europe/Middle East primarily includes United Kingdom, Germany and Netherlands. Asia/Oceania excluding Japan primarily includes Hong Kong, Singapore and China.
3. In the previous fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary adopted the transitional treatments prescribed in the Industry Audit Committee Report No. 25, Treatment of Accounting and

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Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry issued by the Japanese Institute of Certified Public Accountants (the JICPA) on July 29, 2002. According to the transitional treatments, currency swap transactions and fund swap transactions for the purpose of funds borrowing/lending in different currencies were accounted for on an accrual basis as financing transactions in accordance with the Industry Audit Committee Report No. 20, Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry issued by the JICPA on November 14, 2000. In the current fiscal year, such swap transactions are stated at market value as derivative transactions and net assets or liabilities are recorded on the balance sheet in accordance with the standard treatments of the Industry Audit Committee Report No. 25.

As a result, assets increased by 62,207 million yen, and its effect in Japan was 22,231 million yen, and North America was 398 million yen, and Europe/ Mid. East was 38,159 million yen, and Asia/Oceania was 1,418 million yen, respectively.

In the previous fiscal year, the translation adjustments of forward exchange transactions and other relevant transactions in MTFG s domestic banking subsidiary were reported as other in Other assets or other in Other liabilities on a net basis by applying the transitional treatments prescribed in the Industry Audit Committee Report No. 25. In the current fiscal year, they are reported as trading derivative financial instruments in Trading assets and Trading liabilities or as derivative financial instruments in Other assets and Other liabilities on a gross basis in accordance with the standard treatments of the Report No. 25. The translation adjustments of forward exchange transactions and other relevant transactions in MTFG s domestic trust banking subsidiary were reported as other in Other assets or other in Other liabilities. In the current fiscal year, they are reported as trading derivative financial instruments in Trading assets and Trading liabilities or as derivative financial instruments in Other assets and Other liabilities. As a result, assets increased by 467,635 million yen, and its effect in Japan was 231,352 million yen, and North America was 33,880 million yen, and Latin America was 1,937 million yen, and Europe/Mid. East was 168,528 million yen, and Asia/Oceania was 31,935 million yen, respectively.

4. The derivatives, which were embedded in hybrid financial instruments and not required to be accounted separately from the host contracts, had been accounted for on an accrual basis together with the host contracts. Since the beginning of the current fiscal year, such embedded derivatives have been measured at market value and their valuation gains (losses) have been reported in current earnings if they are managed separately from the host contracts.

Such hybrid financial instruments had been risk adjusted items in the macro hedge accounting. Since the beginning of the current fiscal year, MTFG s domestic banking subsidiary and trust banking subsidiary have adopted the standard treatments of the Industry Audit Committee Report No. 24 and, therefore, valuation gains (losses) on the derivatives which used to be risk adjusting instruments in the macro hedge accounting are reported in current earnings. In response to this change, they changed the accounting for the embedded derivatives, which had been accounted together with the host contracts, and measured them at market value and reported their valuation gains (losses) in current earnings if they are managed separately from the host contracts. As a result, ordinary profit increased by 10,435 million yen, and its effect in Japan and North America was 9,974 million yen and 461 million yen, respectively.

3. Ordinary income from overseas operations

	Ordinary income from overseas operations	Consolidated ordinary income	Ordinary income from overseas operations as a percentage of consolidated ordinary income
		(in millions of yen)	
For the year ended March 31, 2005	753,008	2,628,509	28.6%
For the year ended March 31, 2004	764,083	2,555,183	29.9%

Notes:

1. Amounts are rounded down to the nearest million yen.
2. Ordinary income from overseas operations consists of income from transactions of the overseas branches of MTFG s domestic banking subsidiary and trust banking subsidiary, and MTFG s overseas subsidiaries (excluding internal ordinary income among consolidated companies).

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Investment securities

Following tables include:

Investment securities

Trading securities, trading commercial paper and trading short-term corporate bonds in Trading assets

Negotiable certificates of deposits in Cash and due from banks

Investments in commodity investment trusts in Commercial Paper and other debt purchased .

1. Trading securities

As of March 31, 2004

Balance sheet amount	Valuation losses recognized on statement of operations
(in millions of yen)	
5,655,999	(3,823)

2. Marketable debt securities being held to maturity

As of March 31, 2004

	Balance sheet amount	Market value	Differences	Gains	Losses
	(in millions of yen)				
Domestic bonds	1,159,458	1,165,842	6,383	7,602	1,218
Government bonds	998,942	999,449	507	1,724	1,217
Municipal bonds	108,526	112,230	3,703	3,704	0
Corporate bonds	51,988	54,162	2,173	2,173	
Foreign bonds	74,239	76,825	2,586	2,592	5
Other	168,118	168,152	34	34	
Total	1,401,815	1,410,820	9,004	10,228	1,224

3. Marketable securities available for sale

	As of March 31, 2004				
	Cost	Balance sheet amount	Valuation differences	Gains	Losses
	(in millions of yen)				
Domestic equity securities	2,768,443	3,553,772	785,328	891,328	105,999
Domestic bonds	15,703,795	15,707,190	3,394	40,723	37,328
Government bonds	13,989,184	13,986,921	(2,263)	31,617	33,880
Municipal bonds	243,459	244,981	1,522	2,734	1,212
Corporate bonds	1,471,150	1,475,286	4,136	6,371	2,235
Foreign equity securities	15,012	29,518	14,506	14,827	321
Foreign bonds	6,316,837	6,424,133	107,296	115,867	8,570
Other	1,475,136	1,512,124	36,987	51,846	14,858
Total	26,279,224	27,226,739	947,514	1,114,592	167,078

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4. Securities available for sale sold

For the year ended March 31, 2004		
Proceeds from sales	**Gains on sales**	**Losses on sales**
	(in millions of yen)	
28,653,515	224,278	211,230

5. Principal securities not stated at market value

	As of March 31, 2004
	Balance sheet amount
	(in millions of yen)
Debt securities being held to maturity	
Foreign bonds	13,749
Securities available for sale	
Domestic equity securities	182,534
Domestic corporate bonds	410,366
Foreign bonds	18,935

6. Redemption schedules of bonds

	As of March 31, 2004			
	Due within 1 year	**Due after 1 year through 5 years**	**Due after 5 years through 10 years**	**Due after 10 years**
		(in millions of yen)		
Domestic bonds	8,211,601	6,917,038	1,020,579	1,132,321
Government bonds	7,818,442	5,246,113	793,757	1,127,550
Municipal bonds	92,371	168,187	97,475	
Corporate bonds	300,787	1,502,737	129,346	4,771
Foreign bonds	1,047,316	4,350,417	447,576	653,007
Other	261,669	232,304	188,395	501,545
Total	9,520,586	11,499,760	1,656,551	2,286,875

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Money held in trust

1. Money held in trust for trading purpose

As of March 31, 2004	
Balance sheet amount	Valuation gains recognized on statement of operations
(in millions of yen)	
334,316	8,247

2. Money held in trust other than trading purpose and being held to maturity

As of March 31, 2004				
Cost	Balance sheet amount	Valuation differences	Gains	Losses
(in millions of yen)				
134,664	135,061	396	396	

Unrealized gains (losses) on securities available for sale

The classification of unrealized gains (losses) on securities available for sale on the consolidated balance sheet is as follows:

	As of March 31, 2004
	(in millions of yen)
Valuation differences	947,719
Securities available for sale	947,322
Money held in trust other than trading purpose and being held to maturity	396
Deferred tax liabilities	(386,457)
Net valuation differences	561,261
Minority interest	(3,001)
MTFG's ownership percentage of affiliates' unrealized gains on securities available for sale	2,056

Unrealized gains on securities available for sale	560,316

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

Notional principal or contract amount, market value and valuation gains (losses) on derivatives

The publication is omitted in order to be disclosed by EDINET.

<Reference>

1. Derivatives qualified for hedge-accounting

	As of March 31, 2005	
	Notional principal or contract amount	Market value
	(in billions of yen)	
Interest rate futures	4,653.6	(0.4)
Interest rate swaps	29,840.5	99.6
Currency swaps etc.	4,885.1	(51.8)
Other interest rate-related transactions	598.9	1.1
Total		48.5

Note: Derivatives which are accounted for on an accrual basis based on "Accounting standard for financial instruments" are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows.

	As of March 31, 2005			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total
		(in billions of yen)		
Receive-fix/pay-floater	8,209.8	13,008.5	1,506.5	22,724.9
Receive-floater/pay-fix	2,914.7	2,685.3	1,505.4	7,105.5
Receive-floater/pay-floater		10.0		10.0
Total	11,124.5	15,703.8	3,012.0	29,840.5

2. Deferred gains (losses)

	As of March 31, 2005		
	Deferred gains (A)	Deferred losses (B)	Net gains (losses) (A)-(B)
	(in billions of yen)		
Interest rate futures	6.9	9.3	(2.4)
Interest rate swaps	224.3	215.2	9.0
Currency swaps etc.	24.3	26.6	(2.2)
Other interest rate-related transactions	0.3	0.4	(0.0)
Others	1.1	1.1	0.0
Total	257.1	252.8	4.3

Note: Deferred gains (losses) attributable to the macro hedge accounting as of March 31, 2005 are included in the above table.

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Mitsubishi Tokyo Financial Group, Inc. and Consolidated Subsidiaries

<Reference>

1. Derivatives qualified for hedge-accounting

	As of March 31, 2004	
	Notional principal or contract amount	Market value
	(in billions of yen)	
Interest rate futures	5,921.2	2.4
Interest rate swaps	26,922.0	91.4
Currency swaps	3,994.9	17.9
Other interest rate-related transactions	3.8	0.0
Others	0.6	0.6
Total		112.5

Note: Derivatives which are accounted for on an accrual basis based on "Accounting standard for financial instruments" are not included in the table above.

Notional principal by the remaining life of the interest rate swaps above is as follows.

	As of March 31, 2004			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years	Total
		(in billions of yen)		
Receive-fix/pay-floater	6,089.5	12,283.2	1,318.4	19,691.2
Receive-floater/pay-fix	3,042.5	2,685.5	1,492.7	7,220.8
Receive-floater/pay-floater		10.0		10.0
Total	9,132.0	14,978.7	2,811.2	26,922.0

2. Deferred gains (losses)

	As of March 31, 2004		
	Deferred gains (A)	Deferred losses (B)	Net gains (losses) (A)-(B)
		(in billions of yen)	
Interest rate futures	17.7	13.8	3.8
Interest rate swaps	325.2	305.1	20.0
Currency swaps	37.2	39.1	(1.9)
Other interest rate-related transactions	0.1	0.1	
Others	4.0	4.4	(0.3)
Total	384.3	362.6	21.6

Note: Deferred gains (losses) attributable to the macro hedge accounting as of March 31, 2004 are included in the above table.

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ANNEX E

UNAUDITED REVERSE RECONCILIATION OF

SELECTED FINANCIAL INFORMATION OF MTFG

MTFG has included unaudited consolidated financial statements as of March 31, 2005 prepared in accordance with Japanese GAAP in Annex D of this prospectus. The basis of the consolidated financial information included in this prospectus, which are presented under U.S. GAAP, is significantly different from Japanese GAAP in certain respects. MTFG presents below a reverse reconciliation from U.S. GAAP to Japanese GAAP of shareholders equity as of September 30, 2004 and net income for the six months ended September 30, 2004.

	As of September 30, 2004
	(in millions)
Shareholders equity in accordance with U.S. GAAP	¥ 3,826,341
Differences arising from different accounting for:	
1. Investment securities	33,561
2. Loans	26,157
3. Allowance for credit losses	266,913
4. Premises and equipment	3,495
5. Real estate sale and leaseback	96,265
6. Land revaluation	285,284
7. Pension liability	186,965
8. Non-interest-earning deposits made under government-led restructuring program	33,140
9. Derivative financial instruments and hedging activities	47,084
10. Trust fees	(11,025)
11. Consolidation	(45,525)
12. Business combination	(30,685)
Other	13,245
Deferred income tax effects of the above adjustments, when applicable	(473,054)
Minority interest	48,271
Shareholders Equity in accordance with Japanese GAAP	¥ 4,306,432

	For the six months ended September 30, 2004
	(in millions)
Net income in accordance with U.S. GAAP	¥ 131,388
Differences arising from different accounting for:	
1. Investment securities	29,029

2. Loans		3,593
3. Allowance for credit losses		84,952
4. Premises and equipment		(625)
5. Real estate sale and leaseback		268
6. Land revaluation		(11,831)
7. Pension liability		(4,476)
8. Non-interest-earning deposits made under government-led restructuring program		(2,121)
9. Derivative financial instruments and hedging activities		27,154
10. Trust fees		(7,012)
11. Consolidation		(5,093)
Other		(2,551)
Deferred income tax effects of the above adjustments, when applicable		(65,847)
Minority interest		(5,150)
Net income in accordance with Japanese GAAP	¥	171,678

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Explanation of differences between U.S. GAAP and Japanese GAAP

Major factors which explain the differences shown in the above table are as follows:

1. Investment securities

The cost basis of certain securities is different under Japanese GAAP and U.S. GAAP due primarily to the following:

- Certain wash sales accounted for as a sale under Japanese GAAP did not meet sale accounting criteria under U.S. GAAP. Although such wash sales often resulted in gains under Japanese GAAP, those gains were not recorded under U.S. GAAP and as a result, the cost of investment tended to be lower under U.S. GAAP.

- U.S. GAAP requires declines in the fair value of securities below their cost basis that are deemed to be other-than-temporary to be recorded in earnings as impairment losses. In determining whether a decline in fair value is other-than-temporary, factors such as the extent of decline in fair value below cost and the length of time that the decline has continued are considered. If a decline in fair value is 20% or more or a decline in fair value has continued for six months or more, such decline is generally deemed as other-than-temporary. The financial conditions and near-term prospects of issuers are also considered, primarily based on the credit standing of the issuers as determined by the credit rating system. These are more strict criteria than Japanese GAAP, although recognition of impairment losses of investment securities are also required under Japanese GAAP when a decline in the market value below the cost is substantial, based on the extent of decline in market value and the credit standing of the issuers.

- Exchanges of investments as part of business combinations have been accounted for at cost under Japanese GAAP, while U.S. GAAP requires accounting for the transactions at fair value when investments in acquired companies are exchanged for surviving companies in accordance with EITF 91-5, Nonmonetary Exchange of Cost-Method Investments.

In addition, changes in the fair value of available-for-sale debt securities denominated in foreign currency due to changes in foreign exchange rates are recognized as profits or losses under Japanese GAAP, while they are included in other changes in equity from nonowner sources under U.S. GAAP in accordance with EITF 96-15, Accounting for the Effects of Changes in Foreign Currency Exchange Rates on Foreign-Currency-Denominated Available-for-Sale Debt Securities.

2. Loans

Under U.S. GAAP, loan origination fees, net of certain direct origination costs, are deferred and recognized over the contractual life of the loans, while under Japanese GAAP, they are primarily recognized at the time of origination.

In addition, certain transfers of loans accounted for as sales under Japanese GAAP were not accounted for as sales under U.S. GAAP in accordance with SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125, which requires different criteria for a transfer of loans to qualify as a sale.

3. Allowance for credit losses

Under U.S. GAAP, the credit loss allowance for impaired loans is calculated primarily 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, in accordance with SFAS 114, Accounting by Creditors for Impairment of a Loan. Under Japanese GAAP, an allowance is provided for certain types of impaired loans based on historical loss experience for borrowers with equivalent credit quality on a group basis. This difference between U.S. GAAP and Japanese GAAP generally results in a larger amount of allowance for credit losses under U.S. GAAP.

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4. Premises and equipment

Under U.S. GAAP, the cost of a nonmonetary asset acquired in exchange for another nonmonetary asset is booked at the fair value of the asset surrendered or that of the asset received, and a gain or loss is recognized on the exchange, unless the exchange is not essentially the culmination of an earning process in accordance with APB 29, Accounting for Nonmonetary Transactions. Under Japanese GAAP, the cost of the asset surrendered is assigned to the newly acquired asset in certain types of exchange transactions, resulting in no gain or loss on the nonmonetary exchange.

5. Real estate sale and leaseback

In March 1999, Bank of Tokyo-Mitsubishi transferred a 50% undivided interest in its head office land and building and in its main office land and buildings to a third-party real estate company and, at the same time, entered into an agreement to lease back a portion of the transferred buildings from the buyer over a period of seven years. This series of transactions has been accounted for as a sale and an operating lease under Japanese GAAP, while it has been accounted for as financing arrangements under U.S. GAAP in accordance with EITF D-24, Sale-Leaseback Transactions with Continuing Involvement.

6. Land revaluation

Under Japanese GAAP, land used for business operations of domestic subsidiaries was revalued as of March 31, 1998 for Bank of Tokyo-Mitsubishi, as of March 31, 2002 for Mitsubishi Trust Bank and as of December 31, 2001 for other domestic subsidiaries of MTFG with the corresponding impact recorded directly in equity as well as related deferred tax assets/liabilities, pursuant to the Law concerning Revaluation of Land. U.S. GAAP does not allow revaluation of operating assets and requires land to be recorded at cost. Accordingly, land held on the revaluation dates are recorded at different values.

7. Pension liability

Bank of Tokyo-Mitsubishi obtained approval for an exemption from the substitutional portion of its future pension obligation by the government in August 2003. Under Japanese GAAP, Bank of Tokyo-Mitsubishi recognized the extinguishment of benefit obligations and plan assets at the date of approval, which resulted in special gains. Under U.S. GAAP, such gains have not been recorded because the entire separation process should be accounted for in a single settlement transaction upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets in accordance with EITF 03-2, Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities.

In addition, under U.S. GAAP, it is required to recognize a liability that is at least equal to the unfunded accumulated benefit obligation, when the accumulated benefit obligation exceeds the fair value of plan assets. The excess of this additional minimum liability over unrecognized prior service cost is recorded on a net-of-tax basis within accumulated other changes in equity from nonowner sources, in accordance with SFAS 87 Employers Accounting for Pensions.

Further, net periodic costs, including amortization of unrecognized net obligation at transition and amortization of net actuarial gain or loss, are accounted for differently mainly due to the differences in the adoption dates of the applicable accounting standards and amortization periods.

8. Non-interest-earning deposits made under government-led restructuring program

The MTFG group made non-interest-earning deposits with funds which were established under a government-led restructuring program for the loans of seven failed housing loan companies in the fiscal year ended March 31, 1997. Under U.S. GAAP, these deposits were discounted to present value at the time of deposit, and subsequently have been accreted with the recognition of the corresponding interest income during the period through the expected maturity date. Under Japanese GAAP, these deposits were booked at amounts of funding without discounting.

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9. Derivative financial instruments and hedging activities

The MTFG group utilizes derivatives to manage its exposures to fluctuations in market factors such as interest rates and foreign exchange rates arising from mismatches in the risk profiles of assets and liabilities. Under U.S. GAAP, most derivatives used by the MTFG group are accounted for as trading assets or liabilities because they do not qualify for hedge accounting under the criteria prescribed in SFAS 133 Accounting for Derivative Instruments and Hedging Activities. Japanese GAAP permits hedge accounting for certain derivative hedging activities, including portfolio hedges, using less restrictive hedging criteria.

In addition, bifurcation requirements are different between U.S. GAAP and Japanese GAAP. Certain embedded derivatives deemed as clearly and closely related to the host contracts under U.S. GAAP are bifurcated from their host contracts under Japanese GAAP when such embedded derivatives are processed separately from the host contracts for internal management purposes.

Further, under U.S. GAAP, net unrealized gains at the inception of derivatives are deferred when the fair values of such derivatives are not based on quoted market prices or assumptions observable in markets in accordance with EITF 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities. Accordingly, under U.S. GAAP, gains and losses from such contracts are recognized at a later date as compared with Japanese GAAP.

10. Trust fees

Under Japanese GAAP, MTFG s domestic trust banking subsidiary recognizes trust fees on a cash basis. Under U.S. GAAP, trust fees are recognized on an accrual basis.

11. Consolidation

The scope of consolidation is different under U.S. GAAP and Japanese GAAP primarily because, under U.S. GAAP, the primary beneficiary must consolidate variable interest entities based on variable interests in accordance with FIN 46(R), Consolidation of Variable Interest Entities an interpretation of ARB No. 51 which resulted in additional consolidation of certain variable interest entities. Japanese GAAP does not have a concept of variable interest entities.

12. Business Combination

On April 2, 2001, MTFG was established as a bank holding company, through which Nippon Trust Bank, which had been a majority-owned subsidiary of Bank of Tokyo-Mitsubishi and merged with and into Mitsubishi Trust Bank later on October 1, 2001, had become a wholly-owned subsidiary along with Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank pursuant to stock-for-stock exchanges. The stock-for-stock exchanges involved the exchange of MTFG s common stock with common shares held by Nippon Trust Bank s minority shareholders, which has been accounted for as a purchase under U.S. GAAP. Under Japanese GAAP, acquisition of the minority interest in Nippon Trust Bank has been accounted for by a method in accordance with Japanese Commercial Code which is similar to a pooling-of-interests, and consequently goodwill and intangible assets have not been recognized for the acquisition of the shares previously held by Nippon Trust Bank s minority shareholders.

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ANNEX F

PRESS RELEASE OF UFJ HOLDINGS, DATED MAY 25, 2005, ANNOUNCING

ITS JAPANESE GAAP RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2005

(excerpts)

Consolidated Financial Results

For the Fiscal Year Ended March 31, 2005

UFJ Holdings, Inc. today reported the company s consolidated financial results for the fiscal year ended March 31, 2005.

Total Revenue for the fiscal year was 2,616 billion yen, compared with 2,689 billion yen for the previous fiscal year. Net Loss for the fiscal year was 554 billion yen, compared with 402 billion yen for the previous fiscal year.

FINANCIAL HIGHLIGHTS

	Fiscal Year ended March 31,	
	2005 (Unaudited)	2004
	Millions of yen, except per share data	
RESULTS		
Total Revenue	2,616,719	2,689,911
Income (Loss) before Income Taxes & Minority Interests	(234,542)	(331,745)
Net Income (Loss)	(554,532)	(402,806)
BALANCE SHEETS		
Total Assets	82,553,660	82,134,447
Stockholders Equity	1,180,098	1,665,098
PER SHARE		
Net Income (Loss)	(108,332.61)	(82,174.75)
Stockholders Equity	(46,437.47)	34,706.92

Notes:

$$(1)\ \text{Net Income per Share} = \frac{\text{Net Income - Dividends for Preferred Stock}}{\text{Weighted Average Number of Shares of Common Stock *}}$$

$$(2)\ \text{Stockholders Equity per Share} = \frac{\text{Stockholders Equity - Number of Shares of Preferred Stock} \times \text{Issue Price - Dividends for Preferred Stock}}{\text{Number of Shares of Common Stock * Outstanding as of the end of the fiscal year}}$$

* *Excluding treasury stocks and stocks held by subsidiaries*

(3) Equity in earnings of affiliates as of March 31, 2005 is 4,011 million yen.

(4) For Net Income per Share and Stockholders Equity per Share, the third decimal is omitted.

(5) Amounts less than one million yen are omitted.

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(NOTES)

Scope of Consolidation and Application of the Equity Method

(1) Consolidated Companies	
(Consolidated Subsidiaries)	100 Companies
UFJ Bank Limited	
UFJ Trust Bank Limited	
UFJ Tsubasa Securities Co., Ltd.	
The Senshu Bank, Ltd.	
UFJ Partners Asset Management Co., Ltd.	
UFJ International plc	
(2) Companies accounted for under the Equity Method	
(Companies accounted for under the equity method)	26 Companies
The Chukyo Bank, Ltd.	
UFJ Central Leasing Co., Ltd.	

The board of directors of the Company approved and resolved at the board meeting held on May 25, 2005, the Company s non-consolidated financial results for the fiscal year ended March 31, 2005.

The Consolidated Net Income and Dividend per Share for the six months ending September 30, 2005 are forecasted as follows:

Net Income (million yen)	
6 months	140,000
Dividend per Share (yen)	
Common Stock	0
*Class I Preferred Shares**	
Class II Preferred Shares	0
Class III Preferred Shares	0
Class IV Preferred Shares	0
Class V Preferred Shares	0
Class VI Preferred Shares	0
Class VII Preferred Shares	0

* All Class I Preferred Shares will be converted to common stock on August 1, 2005.

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CONSOLIDATED BALANCE SHEETS

	As of March 31,		
	2005 (Unaudited)	2004	Variance
	Millions of yen		
Assets:			
Cash and Due from Banks	5,930,442	4,476,660	1,453,782
Call Loans	365,723	292,119	73,604
Receivables under Resale Agreements	1,778,607	632,784	1,145,822
Collateral Deposits on Securities Borrowed	2,404,996	2,269,420	135,576
Monetary Receivables Bought	398,136	304,500	93,636
Trading Assets	5,298,794	2,792,948	2,505,845
Money Held in Trust	57,019	132,524	(75,505)
Securities	21,770,762	22,025,991	(255,228)
Loans and Bills Discounted	37,354,415	42,462,644	(5,108,228)
Foreign Exchanges	653,615	613,382	40,232
Other Assets	2,155,598	2,753,638	(598,039)
Premises and Equipment	648,145	678,113	(29,967)
Deferred Tax Assets	1,122,422	1,413,766	(291,343)
Goodwill	3,076	9,229	(6,152)
Customers Liabilities for Acceptances and Guarantees	4,088,890	3,398,200	690,689
Reserve for Credit Losses	(1,472,861)	(2,120,260)	647,398
Reserve for Losses on Securities	(4,125)	(1,217)	(2,908)
Total Assets	82,553,660	82,134,447	419,212
Liabilities, Minority Interests and Stockholders Equity			
Liabilities:			
Deposits	50,725,723	52,975,742	(2,250,018)
Negotiable Certificates of Deposit	3,857,874	5,514,401	(1,656,527)
Call Money	4,765,662	4,863,792	(98,130)
Payables under Repurchase Agreements	2,906,021	669,520	2,236,501
Collateral Deposits on Securities Loaned	2,261,850	1,764,098	497,752
Commercial Paper	97,638	297,079	(199,441)
Trading Liabilities	3,753,343	2,167,596	1,585,747
Borrowed Money	1,384,986	1,495,260	(110,274)
Foreign Exchanges	148,942	187,987	(39,045)
Short-term Corporate Bonds	464,200	70,000	394,200
Corporate Bonds and Notes	2,564,335	2,686,367	(122,031)
Borrowed Money from Trust Account	1,241,919	1,754,077	(512,158)
Other Liabilities	1,457,546	1,668,144	(210,598)
Reserve for Employee Bonus	9,895	17,016	(7,120)
Reserve for Retirement Benefits	13,537	14,354	(817)
Reserve for Losses on Supports of Specific Borrowers		5,057	(5,057)
Reserve for Possible Losses Related to Land Trust	14,522		14,522
Other Reserves	322	295	26
Deferred Tax Liabilities	28,784	17,985	10,798
Deferred Tax Liabilities for Revaluation Reserve for Land	75,230	76,958	(1,727)
Acceptances and Guarantees	4,088,890	3,398,200	690,689
Total Liabilities	79,861,227	79,643,938	217,289
Minority Interests	1,512,334	825,410	686,923

Stockholders Equity:			
Capital Stocks	1,000,000	1,000,000	0
Capital Surplus	1,233,741	1,233,725	15
Retained Earnings	(1,325,433)	(760,566)	(564,866)
Revaluation Reserve for Land, Net of Taxes	110,534	112,964	(2,429)
Net Unrealized Profit (Loss) on Available-for-sale securities, Net of Tax	257,526	172,640	84,885
Foreign Currency Translation Adjustments	(93,579)	(91,434)	(2,144)
Treasury Stock	(2,691)	(2,231)	(459)
Total Stockholders Equity	1,180,098	1,665,098	(485,000)
Total Liabilities, Minority Interests and Stockholders Equity	82,553,660	82,134,447	419,212

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Notes:

(1) Transactions for trading purposes are those seeking to capture gains arising from short-term market changes or from differences between markets for interest rates, currency exchange rates or securities. Such transactions are reported as Trading Assets and Trading Liabilities in the consolidated balance sheet as of March 31, 2005, on a trade date basis.

Trading account securities and monetary receivables, etc. held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures and options are valued on the assumption that they were settled at the end of the fiscal year.

(2) Held-to-maturity Debt Securities are carried at amortized cost, as determined by the moving average method (straight line method). Investments in Non-consolidated Subsidiaries and Affiliates which are not accounted for under the equity method are carried at the moving average cost. Available-for-sale Securities with market value are carried at market value (cost of securities sold is determined by the moving average method), and Available-for-sale Securities with no market value are carried at cost or amortized cost, as determined by the moving average method. Net unrealized profits or losses on available-for-sale securities are directly reflected in the stockholders equity after considering the tax effect.

(3) As regards the valuation of securities held in independently operated Money Held in Trust, securities are valued using the same methods as above.

(4) Derivatives transactions, excluding those for trading purposes, are carried at fair value.

(5) Reserve for Credit Losses of domestic consolidated banking subsidiaries is provided based on the results of the self-assessment, as follows in accordance with internal criteria regarding write-offs and providing reserves for possible credit losses :

(a) The reserve for claims on debtors who are legally or substantially bankrupt is provided based on the remaining amount of the claims after the charge-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

(b) The reserve for claims on debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the amount necessary, given the overall solvency assessment of the debtors after deducting the amount expected to be collected through the the disposal of collateral or the execution of guarantees.

(c) The reserve for claims on debtors with Restructured Loans and the certain amount of claims or more, or debtors with Doubtful Loans and the certain amount of claims or more, is provided by calculating the difference between the present value of expected future cash flows discounted by the loan s original contractual interest rate before restructuring and the carrying value of that claims.

The reserve for claims on debtors other than the above is provided primarily based on the default rate, calculated by the actual defaults during a certain period in the past.

(d) The specific reserve for loans to certain refinancing countries is provided based on the expected loss amount considering the political and economic situations of such countries.

With respect to the claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the remaining amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees was charged-off against the respective claims for the fiscal year ended March 31, 2005. The amount of the charge-off as of March 31, 2005 was 1,204,706 million yen.

(6) Reserve for Possible Losses on Securities is provided for possible losses on securities and other investments based on the amount necessary, considering the financial conditions of the issuing companies and collateral and guarantees on the securities.

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(7) Reserve for Employee Bonuses is provided for payment of bonuses to employees. Within the estimated amount payable to employees, the necessary amount corresponding to the fiscal year ended March 31, 2005, is recorded.

(8) Reserve for Retirement Benefit is provided for future pension and lump-sum severance indemnity payment to employees. The reserve is recorded based on the projected benefit obligation and the pension plan asset amount at the end of the fiscal year ended March 31, 2005. The unrecognized net obligation at transition 161,067 million yen, the amount in consideration of exemption from payment of future benefit regarding the substituted portion, is amortized over 5 years.

Some of the domestic consolidated subsidiaries reported 38,325 million yen as extraordinary gains due to partial return of trust assets for retirement benefit on June 29,2004.

(9) The domestic consolidated subsidiaries adopt the deferral method for hedge accounting, based on the main rules in the Practical Guideline of Accounting for Financial Instruments, JICPA Industry Audit Committee Report No. 14.

For the fiscal year ended March 31, 2005, the subsidiaries utilized a macro hedging strategy, using derivatives to manage the overall interest rate risk arising from various financial assets and liabilities, such as loans and deposits. The macro hedging strategy is a risk management method based on the treatment described in the JICPA Industry Audit Committee Report No. 15, Current Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry under which the deferral method of hedge accounting is used.

The gross amounts of deferred hedge profits and losses based on the macro hedging strategy are 73,128 million yen and 62,446 million yen, respectively.

(10) As of March 31, 2005, Loans to Bankrupt Companies and Other Delinquent Loans were 35,850 million yen and 842,779 million yen, respectively. Among these loans, the entrusted amount to the Resolution and Collection Corporation were 6,765 million yen, and this act of trust was recognized as the process of measures to remove loans from balance sheet.

(11) As of March 31, 2005, Loans Past Due 3 Months or More, other than Loans to Bankrupt Companies and Other Delinquent Loans, were 52,242 million yen.

(12) As of March 31, 2005, Restructured Loans were 961,427 million yen.

(13) The net realized and unrealized profits and losses arising on hedging instruments are included in Other Liabilities as deferred hedge profits. The gross amounts of deferred hedge profits and losses are 123,273 million yen and 81,573 million yen, respectively.

(14) Principal amount of indemnified trusts is 1,080,716 million yen in Jointly Operated Designated Money Trusts and 604,689 million yen in Loan Trusts.

(15) The following includes Securities , trading account securities, negotiable due from banks and commercial paper in Trading Assets , negotiable due from banks in Cash and Due from Banks , etc.

Trading Securities

Book value as of March 31, 2005	*4,905,992 million yen*
Valuation gain (loss) during the fiscal year ended March 31, 2005	*32,982 million yen*

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Held-to maturity Debt Securities with Market Value

	As of March 31, 2005				
			Unrealized Gain(Loss)		
	Book value	Market value	Net	Gain	Loss
	(Millions of Yen)				
Japanese National Government Bonds					
Japanese Local Government Bonds					
Japanese Short-term Corporate Bonds					
Japanese Corporate Bonds and Financial Debentures					
Others	22,063	22,221	158	223	64
Total	22,063	22,221	158	223	64

Available-for-sale Securities with Market Value

	As of March 31, 2005				
			Unrealized Gain(Loss)		
	Aggregate Cost	Market value	Net	Gain	Loss
	(Millions of Yen)				
Japanese Equities	1,467,619	1,921,960	454,340	507,409	53,068
Japanese Bonds	13,993,764	13,970,868	(22,896)	29,436	52,333
Japanese National Government Bonds	13,749,227	13,719,800	(29,427)	22,871	52,298
Japanese Local Government Bonds	130,595	134,730	4,135	4,164	29
Japanese Short-term Corporate Bonds					
Japanese Corporate Bonds and Financial Debentures	113,941	116,337	2,395	2,400	4
Others	2,707,312	2,674,856	(32,455)	38,044	70,500
Total	18,168,696	18,567,685	398,988	574,891	175,902

Net Unrealized Profit on Available-for-sale Securities, Net of Taxes, as of March 31, 2005, is 257,507 million yen: Net Unrealized Gain on Available-for-sale Securities shown in the above table of 398,988 million yen, plus Deferred Tax Assets of 88 million yen, minus Deferred Tax Liabilities of 141,664 million yen, less Minority Interests equivalent of 4,906 million yen, plus Parent Company s interest of 5,000 million yen in Net Unrealized Profit/ Loss of Available-for-sale Securities held by affiliates accounted for under the equity method.

As of March 31, 2005, revaluation losses on Available-for-sale Securities were 2,301 million yen.

The principle for recognition of revaluation losses are as follows:

1. *Market price of a share falls down by more than 50% of book value.*

2. *Market price of a share falls down by more than 30% and the issuing company of the share is categorized as Doubtful Borrower or below.*

3. *Market price of a share falls down by more than 40% and the issuing company of the share is categorized as Special mention Borrower including Sub-standard Borrower.*

(16) Available-for-sale Securities sold during the fiscal year ended March 31, 2005

Proceeds from Sales	*37,657,309 million yen*
Realized Profit	*307,593 million yen*
Realized Loss	*83,026 million yen*

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(17) Held-to-maturity Debt Securities and Available-for-sale Securities whose Market Value is not readily determinable

	As of March 31, 2005
	Book value
	(Millions of Yen)
Available-for-sale Securities	
Unlisted Japanese Bonds	*2,313,016*
Unlisted Japanese Equites other than Over-the-counter	*645,472*

(18) Redemption Schedule of Held-to-maturity Debt Securities and Available-for-sale securities with Maturity

	1 or less	***over 1 to 5***	***over 5 to 10***	***over 10***
		(Millions of Yen / Year)		
Japanese Bonds	*9,464,458*	*2,594,225*	*3,583,360*	*641,840*
Japanese National Government Bonds	*9,242,121*	*1,247,964*	*2,670,614*	*559,100*
Japanese Local Government Bonds	*5,592*	*36,040*	*96,935*	*4,876*
Japanese Short-term Corporate Bonds				
Japanese Corporate Bonds and Financial Debentures	*216,743*	*1,310,219*	*815,811*	*77,864*
Others	*484,211*	*568,912*	*533,932*	*535,809*
Total	*9,948,669*	*3,163,137*	*4,117,293*	*1,177,650*

(19) Money Held in Trust

Money Held in Trust for Trading Purposes	
Book value as of March 31, 2005	*52,056 million yen*
Valuation Gain (Loss) during the fiscal year ended March 31, 2005	*(10,185) million yen*
Other Money Held in Trust	
Aggregate Cost	*4,930 million yen*
Market value	*4,963 million yen*
Unrealized Gain(Loss)	*32 million yen*
Gain	*32 million yen*
Loss	

(20) Pursuant to overdraft agreements and commitments to provide loans, the Company may provide loans with customers up to certain limits. Among such limits, 24,713,890 million yen remains unused of which 21,968,645 million yen is based on contracts to be terminated within a year or revocable by consolidated banking subsidiaries options.

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(21) Employee Retirement Benefits

	As of March 31, 2005
	(Millions of Yen)
Projected Benefit Obligation	*(738,558)*
Fair Value of Plan Assets	*544,619*
Security held in Trust	*241,341*
Funded Status	*47,402*
Unrecognized Plan Assets	*(55,395)*
Unrecognized Transitional Obligation	*3,382*
Unrecognized Net Actuarial Loss	*281,929*
Unrecognized Prior Service Cost	*(17,183)*
Net Amount Recognized on the Consolidated Blance Sheet	*260,135*
Prepaid Pension Cost	*273,673*
Reserve for Retirement Benefits	*(13,537)*

(22) UFJ Holdings, Inc. and its subsidiaries respectively signed merger agreements with Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries on April 20, 2005, subject to the approval of their shareholders and relevant authorities.

Please refer to our press release on April 20,2005 for the main terms of the merger agreements, etc.

(23) Amounts less than one million yen are omitted.

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year ended March 31,		
	2005 (Unaudited)	2004	Variance
	Millions of yen		
Revenue:			
Interest Income	1,017,174	1,027,517	(10,342)
Interest on Loans and Discounts	*728,580*	*771,488*	*(42,907)*
Interest on and Dividends from Securities	*210,231*	*174,723*	*35,507*
Trust Fees	51,236	49,408	1,828
Fees and Commissions	496,579	454,711	41,867
Trading Revenue	55,578	188,019	(132,440)
Other Operating Income	447,650	492,556	(44,905)
Other Income	548,499	477,698	70,800
Total Revenue	2,616,719	2,689,911	(73,192)
Expenses:			
Interest Expenses	213,741	202,504	11,236
Interest on Deposits	*78,802*	*71,859*	*6,943*
Fees and Commissions	71,308	66,914	4,394
Trading Expenses	1,648		1,648
Other Operating Expenses	212,486	334,458	(121,971)
General and Administrative Expenses	730,478	773,036	(42,558)
Other Expenses	1,621,598	1,644,742	(23,144)
Total Expenses	2,851,262	3,021,656	(170,394)
Income (Loss) before Income Taxes & Minority Interests	(234,542)	(331,745)	97,202
Provision for Income Taxes	17,871	14,127	3,744
Deferred Income Taxes	280,121	36,929	243,192
Minority Interests in Net Income (Loss)	21,995	20,003	1,992
Net Income (Loss)	(554,532)	(402,806)	(151,725)

Notes:

(1) Profits and losses on transactions for trading purposes are shown as Trading Revenue or Trading Expenses on the consolidated statements of operations on a trade date basis. In the case of securities and monetary receivables, etc. held for trading purposes, Trading Revenue/Expenses includes the interest received/paid during the fiscal year ended March 31, 2005 and the increase/decrease of the valuation profits/losses at the end of the fiscal year ended March 31, 2005 from those at the end of the fiscal year ended March 31, 2004. In the case of trading-related financial derivatives, Trading Revenue/Expenses includes the interest received/paid during the fiscal year ended March 31, 2005 and the increase/ decrease of the amounts of profits/losses based on the assumption that transactions were settled at the end of the fiscal year ended March 31, 2005 from the fiscal year ended March 31, 2004.

(2) Other Expenses for the fiscal year ended March 31, 2005 includes Write-off of Loans of 554,791 million yen, Losses on Sales of Delinquent Loans of 201,806 million yen, Revaluation Losses on Securities of 275,759 million yen and Losses on Supporting Borrowers of 357,640 million yen.

Also, Expenses for Amortization of Unrecognized Net Pension Obligation of 26,366 million yen pursuant to a change in accounting policy, and Expenses for the preparation of planned management integration of 9,034 million yen are included.

(3) Other Income for the fiscal year ended March 31, 2005 includes Gains on Sales of Securities of 179,724 million yen, Gains on Cancellation of Retirement Benefit Trusts of 38,325 million yen.

(4) Amounts less than one million yen are omitted.

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CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS AND RETAINED EARNINGS

	Fiscal Year ended March 31,		
	2005 (Unaudited)	2004	Variance
	Millions of yen		
Capital Surplus			
Balance, at Beginning of the Period	1,233,725	1,233,702	23
Additions	15	23	(7)
Gain on Sales of Treasury Stocks	*15*	*23*	*(7)*
Deductions			
Loss on Sales of Treasury Stocks			
Balance, at End of the Period	1,233,741	1,233,725	15
Retained Earnings			
Balance, at Beginning of the Period	(760,566)	(359,380)	(401,186)
Additions	2,528	8,651	(6,122)
Reversal of Revaluation Reserve for Land	*2,528*	*8,651*	*(6,122)*
Deductions	567,395	409,837	157,558
Dividend Declared	*12,861*	*7,028*	*5,832*
Bonuses for Directors and Statutory Auditors	*2*	*2*	*0*
Net Loss	*554,532*	*402,806*	*151,725*
Balance, at End of the Period	(1,325,433)	(760,566)	(564,866)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year ended March 31,		
	2005 (Unaudited)	2004	Variance
	Millions of yen		
Cash Flows from Operating Activities			
Income Before Income Taxes & Minority Interests	(234,542)	(331,745)	97,202
Depreciation	21,182	22,856	(1,674)
Amortization of Goodwill	2,549	3,643	(1,093)
Equity in Earnings of Affiliates	(3,355)	(6,974)	3,618
Net Increase (Decrease) in Reserve for Credit Losses	(634,594)	445,608	(1,080,202)
Net Increase (Decrease) in Reserve for Losses on Securities	2,963	(107)	3,071
Net Increase (Decrease) in Reserve for Contingent Liabilities Related to Loans Sold		(18,807)	18,807
Net Increase (Decrease) in Reserve for Possible Losses on Support of Specific Borrowers	(5,057)	5,057	(10,115)
Net Increase (Decrease) in Reserve for Employee Bonuses	(6,307)	(6,339)	31
Net Increase (Decrease) in Reserve for Retirement Benefit	1,653	117,884	(116,231)
Net Increase (Decrease) in Reserve for Possible Losses Related to Land Trust	14,522		14,522
Interest Income	(1,017,174)	(1,027,517)	10,342
Interest Expenses	213,741	202,504	11,236
Net (Gain) Loss on Securities	58,748	(360,417)	419,165
Net (Gain) Loss on Money Held in Trust	19,273	406	18,867
Net (Gain) Loss on Foreign Currency Translation Adjustments	(76,371)	164,411	(240,782)
Net (Gain) Loss on Sales of Premises and Equipment	(39,975)	20,834	(60,810)
Net (Gain) Loss on Establishing Retirement Benefit Trust		(40,887)	40,887
Net (Increase) Decrease in Trading Assets	(2,481,032)	231,346	(2,712,379)
Net Increase (Decrease) in Trading Liabilities	1,550,355	215,460	1,334,895
Net (Increase) Decrease in Loans and Bills Discounted	4,978,360	1,682,714	3,295,645
Net Increase (Decrease) in Deposits	(2,252,840)	1,882,377	(4,135,217)
Net Increase (Decrease) in Negotiable Certificates of Deposit	(1,656,527)	585,522	(2,242,049)
Net Increase (Decrease) in Borrowed Money (Non-subordinated)	118,140	6,764	111,375
Net (Increase) Decrease in Due from Banks Excluding Due from Central Bank	(197,708)	122,062	(319,770)
Net (Increase) Decrease in Call Loans and Monetary Receivables Bought	(1,280,224)	(19,027)	(1,261,196)
Net (Increase) Decrease in Collateral Deposits on Securities Borrowed	(135,576)	169,084	(304,661)
Net Increase (Decrease) in Call Money and Other Fundings Related to Operating Activities	2,116,641	(1,064,614)	3,181,256
Net Increase (Decrease) in Commercial Paper	(200,090)	(58,325)	(141,765)
Net Increase (Decrease) in Collateral Deposits on Securities Lent	497,752	(1,145,080)	1,642,832
Net (Increase) Decrease in Foreign Exchange Assets	(40,230)	(46,918)	6,687
Net Increase (Decrease) in Foreign Exchange Liabilities	(39,052)	98,054	(137,106)
Net Increase (Decrease) in Short-term Corporate Bonds	394,200	70,000	324,200
Net Increase (Decrease) in Corporate Bonds Resulted from Issuance, Redemption and Repurchase	(95,254)	219,293	(314,548)
Net Increase (Decrease) in Borrowed Money from Trust Account	(512,158)	503,831	(1,015,990)
Interest Received	1,009,581	1,076,042	(66,461)
Interest Paid	(206,116)	(221,657)	15,541
Others, Net	(184,693)	2,338	(187,032)
Sub-total	(299,219)	3,499,683	(3,798,902)
Income Taxes Paid	(14,110)	(5,620)	(8,490)
Net Cash Provided by (Used in) Operating Activities	(313,329)	3,494,062	(3,807,392)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Fiscal Year ended March 31,		
	2005 (Unaudited)	2004	Variance
	Millions of yen		
Cash Flows from Investing Activities			
Purchases of Securities	(51,209,102)	(54,413,577)	3,204,475
Proceeds from Sales of Securities	35,222,409	36,081,218	(858,808)
Proceeds from Maturities of Securities	16,897,698	14,631,033	2,266,664
Increase in Money Held in Trust	(101,293)	(180,066)	78,773
Decrease in Money Held in Trust	157,510	83,064	74,446
Expenditures for Premises and Equipment	(117,118)	(26,472)	(90,646)
Proceeds from Sales of Premises and Equipment	152,153	15,563	136,590
Expenditures for Purchases of Consolidated Subsidiaries	(2,761)		(2,761)
Proceeds from Sales of Consolidated Subsidiaries	4,563	955	3,607
Others, Net		(4)	4
Net Cash Provided by (Used in) Investing Activities	1,004,061	(3,808,285)	4,812,346
Cash Flows from Financing Activities			
Proceeds from Issuance of Subordinated Debt		33,500	(33,500)
Expenditures for Repayment of Subordinated Debt	(54,145)	(7,500)	(46,645)
Proceeds from Issuance of Subordinated Bonds	43,063	331,760	(288,696)
Redemption and Repurchase of Subordinated Bonds	(79,723)	(90,363)	10,639
Proceeds from Issuance of Capital Stocks to Minority Interests	700,000		700,000
Dividends Paid	(12,861)	(7,028)	(5,832)
Dividends Paid to Minority Interests	(27,206)	(27,020)	(186)
Expenditures for Purchase of Treasury Stocks	(897)	(534)	(362)
Proceeds from Sales of Treasury Stocks	45	70	(24)
Others, Net	(142)	(3,244)	3,102
Net Cash Provided by (Used in) Financing Activities	568,132	229,638	338,493
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,201	(1,519)	2,721
Net Increase (Decrease) in Cash and Cash Equivalents	1,260,065	(86,103)	1,346,168
Cash and Cash Equivalents at Beginning of Fiscal Year	3,617,827	3,703,931	(86,103)
Cash and Cash Equivalents at End of Fiscal Year	4,877,893	3,617,827	1,260,065

Note: Amounts less than one million yen are omitted.

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SEGMENT INFORMATION

1. Segment Information by Type of Business

Fiscal Year ended March 31, 2005		Banking and Trust Business	Others	Total	Elimination and Corporate Assets	Consolidated
				(Millions of yen)		
I	Ordinary Income	1,931,617	460,473	2,392,091	(86,717)	2,305,373
	(1) Outside Customers	1,901,140	404,232	2,305,373		2,305,373
	(2) Internal-Business Transfer	30,476	56,240	86,717	(86,717)	
	Ordinary Expense	2,487,346	414,084	2,901,430	(99,225)	2,802,204
	Ordinary Profit (Loss)	(555,728)	46,389	(509,339)	12,508	(496,830)
II	Assets	76,057,429	14,286,455	90,343,885	(7,790,225)	82,553,660
	Depreciation	49,071	10,107	59,178		59,178
	Capital Expenditure	154,549	16,474	171,024		171,024

Fiscal Year ended March 31, 2004		Banking and Trust Business	Leases	Others	Total	Elimination and Corporate Assets	Consolidated
					(Millions of yen)		
I	Ordinary Income	2,234,174	225,166	312,666	2,772,007	(205,326)	2,566,680
	(1) Outside Customers	2,101,926	209,823	254,931	2,566,680		2,566,680
	(2) Internal-Business Transfer	132,247	15,343	57,735	205,326	(205,326)	
	Ordinary Expense	2,566,340	219,031	283,144	3,068,516	(104,181)	2,964,335
	Ordinary Profit (Loss)	(332,165)	6,134	29,522	(296,509)	(101,145)	(397,654)
II	Assets	79,037,411	808,038	9,661,804	89,507,254	(7,372,807)	82,134,447
	Depreciation	47,297	1,231	6,147	54,676		54,676
	Capital Expenditure	60,362	1,786	8,977	71,125		71,125

Notes: (1) Others for Fiscal Year ended March 31, 2005 includes Leases .

2. Segment Information by Location

Fiscal Year ended March 31, 2005		Japan	The Americas	Europe	Asia/ Oceania	Total	Elimination and Corporate Assets	Consolidated
					(Millions of yen)			
I	Ordinary Income	2,199,222	120,230	84,554	49,330	2,453,337	(147,963)	2,305,373
	(1) Outside Customers	2,145,534	56,872	55,965	47,000	2,305,373		2,305,373
	(2) Internal-Business Transfer	53,687	63,357	28,588	2,329	147,963	(147,963)	
	Ordinary Expense	2,754,746	83,595	82,005	37,343	2,957,690	(155,485)	2,802,204
	Ordinary Profit (Loss)	(555,524)	36,634	2,549	11,987	(504,352)	7,521	(496,830)
II	Assets	77,529,846	2,845,783	6,064,954	2,237,623	88,678,207	(6,124,547)	82,553,660

Fiscal Year ended March 31, 2004		Japan	The Americas	Europe	Asia/ Oceania	Total	Elimination and Corporate Assets	Consolidated
					(Millions of yen)			
I	Ordinary Income	2,454,757	132,026	81,956	70,294	2,739,034	(172,354)	2,566,680
	(1) Outside Customers	2,379,749	65,322	56,835	64,773	2,566,680		2,566,680
	(2) Internal-Business Transfer	75,007	66,704	25,120	5,520	172,354	(172,354)	
	Ordinary Expense	2,819,343	120,405	98,792	74,963	3,113,504	(149,169)	2,964,335
	Ordinary Profit (Loss)	(364,586)	11,621	(16,836)	(4,668)	(374,469)	(23,184)	(397,654)
II	Assets	79,764,300	3,118,486	3,376,740	2,249,628	88,509,155	6,374,708	82,134,447

Notes: (1) Ordinary Income represents Total Revenues less certain items such as Gain on Sales of Premises and Equipment and Collection of Written off Claims. Ordinary Expenses represents Total Expenses less certain items such as Loss on Sales of Premises and Equipment and Amortization of Net Transitional Obligation for Employee Retirement Benefits.

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(2) The Americas includes the United States and Canada. Europe includes United Kingdom and Germany. Asia/Oceania Excluding Japan includes Hong Kong, Singapore and Australia.

3. Ordinary Income from Overseas Operations

	Ordinary Income from Overseas Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from Overseas Operations over Consolidated Ordinary Income
		(Millions of yen)	
Fiscal Year ended March 31, 2005	159,839	2,305,373	6.9%
Fiscal Year ended March 31, 2004	186,931	2,566,680	7.2%

Notes: (1) Ordinary Income from Overseas Operations is shown, instead of Overseas Sales Amount for non-financial companies.
(2) Ordinary Income from Overseas Operations primarily includes income from transactions of the domestic consolidated subusidiaries overseas branches, and income from transactions of the overseas consolidated subsidiaries (excluding Internal Ordinary Income between consolidated entities).

Segment Information by Location on Ordinary Income from Overseas Operations is not shown here since Ordinary Income from Overseas Operations is not classified by the domicile of obligators.

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MARKET VALUE INFORMATION ON SECURITIES AND MONEY HELD IN TRUST

(as of March 31, 2005)

A. Securities

The following includes Securities, negotiable due from banks, contained in Cash and Due from Banks, and commodity funds, contained in Monetary Receivables Bought.

1. Trading Securities

Book value as of March 31, 2005	4,905,992 million yen
Valuation gain (loss) during the fiscal year ended March 31, 2005	32,982 million yen

2. Held-to-Maturity Bonds with Market Value

	As of March 31, 2005				
			Unrealized Gain (Loss)		
Type	Book Value	Market Value	Net	Gain	Loss
	(Millions of yen)				
Japanese National Government Bonds					
Japanese Local Government Bonds					
Japanese Corporate Bonds and Financial Debentures					
Others	22,063	22,221	158	223	64
Total	22,063	22,221	158	223	64

3. Available-for-Sale Securities with Market Value

	As of March 31, 2005				
	Aggregate Cost	Market Value	Unrealized Gain (Loss)		
Type			Net	Gain	Loss

			(Millions of yen)		
Japanese Equities	1,467,619	1,921,960	454,340	507,409	53,068
Japanese Bonds	13,993,764	13,970,868	(22,896)	29,436	52,333
Japanese National Government Bonds	13,749,227	13,719,800	(29,427)	22,871	52,298
Japanese Local Government Bonds	130,595	134,730	4,135	4,164	29
Japanese Corporate Bonds and Financial Debentures	113,941	116,337	2,395	2,400	4
Others	2,707,312	2,674,856	(32,455)	38,044	70,500
Total	18,168,696	18,567,685	398,988	574,891	175,902

4. The Bank sold avaliable-for-sale securities during the fiscal year ended March 31, 2005 as follows:

Book value	37,657,309 million yen
Profits on sale	307,593 million yen
Losses on sale	83,026 million yen

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5. Held-to-maturity Debt Securities and Available-for-sale Securities whose Market Value is not readily determinable

Type	As of March 31, 2005 Book Value (Millions of yen)
Held-to-maturity Debt Securities	
Unlisted Bonds	
Available-for-sale Securities	
Unlisted Bonds	2,313,016
Unlisted Stocks (excluding over-the-counter stocks)	645,472

6. Redemption Schedule of Held-to-maturity Debt Securities and Available-for-sale securities with Maturity

	1 or less	over 1 to 5	over 5 to 10	over 10
	(Millions of Yen / Year)			
Japanese Bonds	9,464,458	2,594,225	3,583,360	641,840
Japanese National Government Bonds	9,242,121	1,247,964	2,670,614	559,100
Japanese Local Government Bonds	5,592	36,040	96,935	4,876
Japanese Corporate Bonds and Financial Debentures	216,743	1,310,219	815,811	77,864
Others	484,211	568,912	533,932	535,809
Total	9,948,669	3,163,137	4,117,293	1,177,650

B. Money Held in Trust

1. Trading Money Held in Trust

Book value as of March 31, 2005	52,056 million yen
Valuation gain (loss) during the fiscal year ended March 31, 2005	(10,185) million yen

2. Held-to-Maturity Money Held in Trust

There is no Held-to-Maturity Money Held in Trust.

3. Money Held in Trust (other than for Trading Purpose and Held-to-Maturity)

Type	As of March 31, 2005				
	Book Value	Market Value	Unrealized Gain (Loss)		
			Net	Gain	Loss
	(Millions of yen)				
Money Held in Trust					
(other than for Trading Purpose and Held-to-Maturity)	4,930	4,963	32	32	

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C. Net Unrealized Profit (Loss) on Available-for-Sale Securities

Type	As of March 31, 2005 Book Value
	(Millions of yen)
Net Unrealized Gains	399,021
Available-for-Sale Securities	398,988
Money Held in Trust (other than for Trading Purpose and Held-to-Maturity)	32
Deferred Tax Assets	88
Less: Deferred Tax Liabilities	141,677
Net Unrealized Gains (Losses), Net of Taxes (before adjustment for minority interest)	257,431
Less: Minority Interests	4,906
Parent Company s Interest in Net Unrealized Profit (Loss) of Available-for-Sale Securities Held by Affiliates Accounted for under Equity Method	5,000
Net Unrealized Gains (Loss) on Available-for-sale Securities, Net of Taxes	257,526

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MARKET VALUE INFORMATION ON SECURITIES AND MONEY HELD IN TRUST

(as of March 31, 2004)

A. Securities

The following includes Securities, negotiable due from banks, contained in Cash and Due from Banks, and commodity funds, contained in Monetary Receivables Bought.

1. Trading Securities

Book value as of March 31, 2004	2,404,196 million yen
Valuation gain (loss) during the fiscal year ended March 31, 2004	784 million yen

2. Held-to-Maturity Bonds with Market Value

	As of March 31, 2004				
			Unrealized Gain (Loss)		
Type	Book Value	Market Value	Net	Gain	Loss
	(Millions of yen)				
Japanese National Government Bonds					
Japanese Local Government Bonds					
Japanese Corporate Bonds and Financial Debentures					
Others	18,422	18,686	263	294	30
Total	18,422	18,686	263	294	30

3. Available-for-Sale Securities with Market Value

	As of March 31, 2004				
			Unrealized Gain (Loss)		
Type	Aggregate Cost	Market Value	Net	Gain	Loss
	(Millions of yen)				
Japanese Equities	1,764,291	2,122,914	358,622	429,967	71,345
Japanese Bonds	14,016,972	13,959,325	(57,646)	54,273	111,919

Japanese National Government Bonds	13,531,746	13,464,948	(66,797)	44,731	111,528
Japanese Local Government Bonds	276,291	281,283	4,991	5,095	103
Japanese Corporate Bonds and Financial Debentures	208,934	213,092	4,158	4,446	287
Others	3,117,229	3,114,569	(2,659)	33,472	36,132
Total	18,898,493	19,196,809	298,316	517,714	219,397

4. The Bank sold available-for-sale securities during the fiscal year ended March 31, 2004 as follows:

Book value	37,171,549 million yen
Profits on sale	494,839 million yen
Losses on sale	156,217 million yen

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5. Held-to-maturity Debt Securities and Available-for-sale Securities whose Market Value is not readily determinable

Type	As of March 31, 2004 Book Value
	(Millions of yen)
Held-to-maturity Debt Securities	
Unlisted Bonds	44
Available-for-sale Securities	
Unlisted Bonds	1,818,799
Unlisted Stocks (excluding over-the-counter stocks)	871,321

6. Redemption Schedule of Held-to-maturity Debt Securities and Available-for-sale securities with Maturity

	1 or less	over 1 to 5	over 5 to 10	over 10
	(Millions of Yen / Year)			
Japanese Bonds	5,700,747	4,596,975	4,997,281	483,116
Japanese National Government Bonds	5,576,606	3,349,551	4,173,814	364,976
Japanese Local Government Bonds	13,299	29,709	242,276	5,596
Japanese Corporate Bonds and Financial Debentures	110,841	1,217,714	581,190	112,543
Others	951,520	1,006,601	297,876	253,695
Total	6,652,267	5,603,576	5,295,157	736,811

B. Money Held in Trust

1. Trading Money Held in Trust

Book value as of March 31, 2004	132,524 million yen
Valuation gain (loss) during the fiscal year ended March 31, 2004	(396) million yen

2. Held-to-Maturity Money Held in Trust

There is no Held-to-Maturity Money Held in Trust.

3. Money Held in Trust (other than for Trading Purpose and Held-to-Maturity)

There is no Money Held in Trust (other than for Trading Purpose and Held-to-Maturity).

C. Net Unrealized Profit (Loss) on Available-for-Sale Securities

Type	As of March 31, 2004 Book Value
	(Millions of yen)
Net Unrealized Gains	298,316
Available-for-Sale Securities	298,316
Deferred Tax Assets	181
Less: Deferred Tax Liabilities	126,025
Net Unrealized Gains (Losses), Net of Taxes (before adjustment for minority interest)	172,472
Less: Minority Interests	3,987
Parent Company s Interest in Net Unrealized Profit (Loss) of Available-for-Sale Securities Held by Affiliates Accounted for under Equity Method	4,155
Net Unrealized Gains (Loss) on Available-for-sale Securities, Net of Taxes	172,640

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ANNEX G

UNAUDITED REVERSE RECONCILIATION OF SELECTED FINANCIAL INFORMATION OF UFJ HOLDINGS

UFJ Holdings has included unaudited consolidated financial statements as of March 31, 2005 prepared in accordance with Japanese GAAP in Annex F of this prospectus. The basis of the consolidated financial information included in this prospectus, which is presented under U.S. GAAP, is significantly different from Japanese GAAP in certain respects. UFJ Holdings presents below a reverse reconciliation from U.S. GAAP to Japanese GAAP of the stockholders equity as of September 30, 2004 and the net income for the six months ended September 30, 2004.

	As of September 30, 2004
	(in millions)
Stockholders equity in accordance with US GAAP	¥ 1,508,163
Differences arising from different accounting for:	
1. Investment securities	69,359
2. Loans	4,274
3. Allowance for loan losses	217,358
4. Capital leases	(942)
5. Exchange of premises and equipment	(4,992)
6. Real estate sale and leasebacks	38,974
7. Land and buildings	79,307
8. Pension liability	303,328
9. Non-interest earning deposits made under government-led restructuring program	37,043
10. Derivative financial instruments and hedging activities	64,387
11. Trust fees	(4,026)
12. Goodwill and intangible assets	(2,678,765)
13. Variable interest entities	55,483
14. Deferred tax valuation allowance	1,338,541
15. Other	47,953
Tax effect of adjustments	(101,032)
Stockholders equity in accordance with Japanese GAAP	¥ 974,413

	Six months ended September 30, 2004
	(in millions)
Net income in accordance with US GAAP	¥ 245,749
Differences arising from different accounting for:	
1. Investment securities	(274,663)
2. Loans	962
3. Allowance for loan losses	(502,607)
4. Capital leases	(3,485)
5. Exchange of premises and equipment	98

6. Real estate sale and leasebacks		261
7. Land and buildings		(3,247)
8. Pension liability		15,006
9. Non-interest earning deposits made under government-led restructuring program		(2,398)
10. Derivative financial instruments and hedging activities		55,102
11. Trust fees		202
12. Goodwill and intangible assets		24,579
13. Variable interest entities		(10,284)
14. Deferred tax valuation allowance		(383,211)
15. Other		5,648
Tax effect of adjustments		158,004
Net income in accordance with Japanese GAAP	¥	(674,284)

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The following is a summary of the significant adjustments made to consolidated stockholders equity and net income to reconcile the U.S. GAAP results with Japanese GAAP. The paragraphs below refer to the corresponding items set forth above.

1. Investment securities

Differences in the cost basis of investment securities:

The cost basis of certain investment securities differs between Japanese GAAP and U.S. GAAP primarily due to the following reasons:

- Certain sales and subsequent repurchases of available for sale securities under Japanese GAAP do not meet the sale accounting criteria under U.S. GAAP. These sales and subsequent repurchases resulted in realized gains or losses being recognized in earnings under Japanese GAAP. Under U.S. GAAP, these gains or losses would instead be recognized as unrealized gains or losses within other comprehensive income. Consequently, the cost basis and realized and unrealized gains and losses of these securities differ under Japanese GAAP and U.S. GAAP.

- Under U.S. GAAP, declines in the fair value of available for sale securities below their cost that are deemed to be other-than-temporary are recorded in earnings. Various quantitative and qualitative factors are assessed to determine whether impairment is other-than-temporary, including the duration and extent of the decline, the current operating and future expected performance, market value of comparable companies, changes in industry and market prospects, and the intent and ability of the holder to hold the security for a sufficient period of time for subsequent expected recovery in market value. Under Japanese GAAP, declines in the fair value of securities below their cost that are deemed to be other-than-temporary are also recorded in earnings. Although various quantitative and qualitative factors are also assessed, the judgement is generally based on whether there is a significant decline of 30 to 50% below cost.

- Under U.S. GAAP, investments in unlisted equity securities, including private equity securities and preferred securities, are carried at cost less impairment, if any. Under Japanese GAAP, they are also carried at cost less impairment, if any. However, the extent of the impairment could be different between U.S. GAAP and Japanese GAAP primarily based on differences in assumptions and estimates used in calculating fair value.

- Under U.S. GAAP, the cost basis of available for sale securities held by legacy Tokai Bank and Toyo Trust was adjusted to fair value at the date of acquisition (April 2001). Under Japanese GAAP, the historical cost basis for these securities was retained.

Differences in classifications of investment securities:

- Certain investments, such as those held by securities subsidiaries, are reclassified from available for sale securities under Japanese GAAP to trading securities under U.S. GAAP. Cumulative unrealized gains or losses recognized in other comprehensive income are reclassified to Accumulated deficit.

- Changes in the fair value of investments in available for sale debt securities denominated in foreign currencies arising from movements in foreign currency exchange rates are recognized as gains or losses in earnings under Japanese GAAP. Under U.S. GAAP, these fair value movements are included in total changes in fair value to be recognized within changes in equity from

nonowner sources.

2. Loans

Under U.S. GAAP, loan origination fees, net of certain direct origination costs are deferred and recognized within net interest income over the contractual life of the loans, while under Japanese GAAP, the fees and costs generally are recognized directly in earnings when the loan is originated.

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In addition, certain transfers of loans are accounted for as sales under Japanese GAAP and the loans are derecognized from the consolidated balance sheet. These transfers do not meet sales criteria under U.S. GAAP and the loans are therefore recognized as on balance sheet assets.

3. Allowance for loan losses

Under U.S. GAAP, the allowance for loan losses for specifically identified impaired loans is based on (1) the present value of expected future cash flows discounted at the loan s effective interest rate or as a practical expedient, (2) the loan s observable market price or (3) the fair value of the collateral if the loan is collateral dependent.

For homogeneous pools of commercial and consumer loans, and other loans that are not specifically identified as impaired, the allowance for loan losses is based on the historical losses experience, adjusted for qualitative factors.

Under Japanese GAAP, the allowance for loan losses for loans that are specifically identified and exceed a certain threshold amount is based on the present value of expected future cash flows discounted at the loan s effective interest rate.

For the remaining loans, the allowance is calculated based on historical losses using a statistical analysis based on past experience and borrowers risk ratings. The use of the discounted cash flow approach for certain large problem loans was first required for the year ended March 31, 2003 under Japanese GAAP. For periods prior to the year ended March 31, 2003, the allowance for all of the loans was established using the statistical approach based on past experience.

This adjustment results from the differences in the application of the methodologies to estimate the loan loss allowance under Japanese GAAP and U.S. GAAP as well as the scope of the loans that are subject to the individual and portfolio impairment analysis.

4. Capital leases

The requirements for a lease to qualify as a capital lease under U.S. GAAP is similar to the requirements for recognition as a finance lease under Japanese GAAP. However, under Japanese GAAP, finance leases fall into one of two categories: finance leases with a transfer of ownership, for which the lessees are required to record lease assets, and finance leases without a transfer of ownership, which the lessees are allowed to treat as operating leases with footnote disclosure of the impact of using capital lease accounting.

The impact of this difference has been to record certain finance leases without a transfer of ownership as capital leases under U.S. GAAP.

5. Exchange of premises and equipment

Under U.S. GAAP, the cost of a non-monetary asset acquired in exchange for another non-monetary asset is recognized at the fair value of the asset surrendered or that of the asset received, and a gain or loss is recognized for the exchange, unless the exchange is not essentially the culmination of an earning process. Under Japanese GAAP, the cost of the asset surrendered is assigned to the newly acquired asset in certain types of exchange transactions, resulting in no gain or loss being recognized. When these types of exchange transactions are viewed as a culmination of an earnings process under U.S. GAAP, the carrying value of the newly acquired asset will be the fair value of the asset surrendered as opposed to the cost under Japanese GAAP.

In addition, the difference in carrying value leads to a difference in the recognition of depreciation expense under U.S. GAAP as compared to Japanese GAAP.

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6. Real estate sale and leasebacks

In March 2002, UFJ Bank entered into a sale and leaseback transaction with respect to land and buildings used as its headquarters. This transaction was recognized as a sale under Japanese GAAP with a loss on sale recorded in earnings.

Due to UFJ Bank s continuing involvement in the real estate, the sale and leaseback transaction does not qualify for asset derecognition under U.S. GAAP.

7. Land and buildings

Under Japanese GAAP, land was allowed to be revalued by March 31, 1998. The revaluation difference was recorded directly in equity and a related deferred tax asset or liability recognized. Under U.S. GAAP, there is no similar provision allowing for the upward revaluation of land and accordingly the revaluation is reversed.

Further, under U.S. GAAP, 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 an asset exceeds its fair value. For the 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 of 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 costs to sell.

Under Japanese GAAP, an equivalent impairment standard has been established but is not yet effective.

The impact of this difference has been to record an impairment charge to earnings with a corresponding reduction in the carrying value of the associated long-lived assets under U.S. GAAP, with no equivalent charge or reduction in long-lived assets under Japanese GAAP.

8. Pension liability

UFJ Bank obtained an approval from the Minister of Health, Labor and Welfare on September 1, 2002 that released UFJ Bank from making future contributions to the substitutional portion of the Employees Pension Funds as defined under the Japanese Welfare Pension Insurance Law. At a future date, UFJ Bank will transfer plan assets to the government related to past employee service and the government will assume responsibility for the entire substitutional portion of the Employees Pension Funds, as defined. Under Japanese GAAP, UFJ Bank recognized extinguishment of the entire substitutional portion of the benefit obligation and related plan assets as of the date of the approval, which resulted in a gain. Under U.S. GAAP, such gain has not been recorded as the entire separation process should be accounted for in a single settlement transaction upon completion of the transfer to the government of the substitutional portion of the benefit obligation for past employee service and related plan assets.

In addition, under U.S. GAAP, a liability that is at least equal to the unfunded accumulated benefit obligation is required to be recognized. The excess of this minimum pension liability over unrecognized prior service cost is recorded on a net-of-tax basis as accumulated other comprehensive loss in the shareholders equity section.

Further, under Japanese GAAP, UFJ Holdings adopted pension accounting that is based on the actuarial present value of the accrued benefits as of April 1, 2000. Upon adoption, an election to amortize the transition obligation over a 5 year period was made. Under U.S. GAAP, the applicable transitional obligation has been fully amortized and is therefore recorded in accumulated deficit.

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9. Non-interest earning deposits made under the Japanese government-led restructuring program

Non-interest earning deposits have been provided to investment vehicles established under a government-led restructuring program to assist with the repayment of loans made to seven failed housing-loan entities in the fiscal year ended March 31, 1997. Under Japanese GAAP, these deposits are recorded at cost. Under U.S. GAAP, these deposits were discounted to their present value at the deposit date and the discount is subsequently accreted to interest income over the expected period to maturity.

10. Derivative financial instruments and hedging activities

Derivatives are used to manage exposure to fluctuations in market factors such as interest rates and foreign exchange rates arising from mismatches of risk profile of assets and liabilities. UFJ Holdings adopts hedge accounting for certain derivative hedging activities under Japanese GAAP. However, under U.S. GAAP, UFJ Holdings has accounted for such derivatives as trading assets or liabilities with changes in fair value recorded in earnings.

Requirements for bifurcation of embedded derivatives differ between Japanese GAAP and U.S. GAAP. Embedded derivatives that are deemed to be clearly and closely related to their host contract are not bifurcated under U.S. GAAP, while under Japanese GAAP, it is possible to bifurcate, on a discretionary basis, all embedded derivatives under the condition that the entity manages the risk of the embedded derivatives and host contracts separately.

Under U.S. GAAP, unrealized gains and losses at inception of a derivative contract are deferred and recognized over the life of the related contract, when the fair value of such derivatives is not based on quoted market prices or observable market prices of comparable products, whereas under Japanese GAAP such amounts are recognized immediately in earnings.

11. Trust fees

Under Japanese GAAP, UFJ Trust Bank recognizes trust fees on a cash basis. Under U.S. GAAP, they are recognized on an accrual basis when earned.

12. Goodwill and intangible assets

Under Japanese GAAP, the integration of Sanwa Bank, Tokai Bank, and Toyo Trust in April 2001 was accounted for as a pooling of interests. Consequently, UFJ Holdings did not recognize goodwill or intangible assets as of the integration date.

Under U.S. GAAP, this integration was accounted for using the purchase method of accounting as if Sanwa Bank acquired Tokai Bank and Toyo Trust. Consequently, goodwill and intangible assets were recognized as of April 1, 2001. Under U.S. GAAP goodwill ceased to be

amortized to earnings from April 1, 2002, but instead is tested annually for impairment with impairment charges recognized in earnings in the period in which they arise. Definite lived intangible assets are amortized to earnings over their estimated useful lives, which range from 5 to 23 years.

The impact of the fair valuation of assets acquired and liabilities assumed under the purchase method of accounting has been included in the relevant categories of this reconciliation.

13. Variable interest entities

Under U.S. GAAP, an entity that is a variable interest entity is consolidated by the primary beneficiary of its activities, if any. U.S. GAAP provides guidance for determination of a variable interest entity and identification of the primary beneficiary of the variable interest entity.

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Under Japanese GAAP there is no equivalent accounting standard, therefore no variable interest entities have been consolidated under Japanese GAAP.

A difference also arises in relation to entities consolidated under Japanese GAAP that are variable interest entities under U.S. GAAP for which UFJ Holdings is not the primary beneficiary. Under U.S. GAAP such entities have been accounted for using the equity method.

14. Deferred tax valuation allowance

Under U.S. GAAP all available evidence, both positive and negative, must be considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Under Japanese GAAP the assessment as to whether deferred tax assets are realizable is primarily based on estimates of future taxable income.

15. Other

This adjustment reflects the effect of miscellaneous items that are individually immaterial.

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ANNEX H

ENGLISH TRANSLATION OF FAIRNESS OPINION, DATED FEBRUARY 18, 2005,

DELIVERED BY MERRILL LYNCH TO THE BOARD OF UFJ HOLDINGS

Merrill Lynch Japan Securities Co., Ltd.
1-4-1 Nihonbashi

Chuo-ku, Tokyo 103-8230, Japan

February 18, 2005

Board of Directors

UFJ Holdings, Inc.

5-6, Fushimimachi 3-chome, Chuo-ku,

Osaka-shi, Osaka 541-0044, Japan

Members of the Board of Directors:

We understand that UFJ Holdings, Inc. (UFJHD) and Mitsubishi Tokyo Financial Group, Inc. (MTFG) propose to enter into an agreement (the Integration Agreement) pursuant to which UFJHD will be merged with and into MTFG in a transaction (the Merger) in which each outstanding common share of UFJHD (the UFJHD Common Shares) will be converted into the right to receive 0.62 of a share (the Merger Ratio) of the common shares of MTFG (the MTFG Common Shares), all as set forth more fully in the Integration Agreement.

You have asked us whether, in our opinion, the Merger Ratio is fair from a financial point of view to the holders of the UFJHD Common Shares.

In arriving at the opinion set forth below, we have, among other things:

(1) Reviewed certain publicly available business and financial information relating to UFJHD and MTFG that we deemed to be relevant;

(2) Reviewed certain information, including financial forecasts, relating to the businesses, earnings, cash flow, assets, liabilities and prospects of UFJHD and MTFG furnished to us by senior management of UFJHD and MTFG, as well as the amount and timing of

the cost savings, revenue enhancement and related expenses expected to result from the Merger (the Expected Synergies) furnished to us by senior management of UFJHD and MTFG;

(3) Conducted discussions with members of senior management of UFJHD and MTFG concerning the matters described in clauses (1) and (2) above, as well as their respective businesses and prospects before and after giving effect to the Merger and the Expected Synergies;

(4) Reviewed the market prices and valuation multiples for the UFJHD Common Shares and the MTFG Common Shares and compared them with those of certain publicly traded companies that we deemed to be relevant;

(5) Reviewed the publicly reported financial condition and results of operations of UFJHD and MTFG and compared them with those of certain publicly traded companies that we deemed to be relevant;

(6) Participated in certain discussions and negotiations among representatives of UFJHD and MTFG and their financial and legal advisors;

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(7) Reviewed the potential pro forma impact of the Merger;

(8) Reviewed the draft dated February 17, 2005 of the Integration Agreement (the Draft of the Integration Agreement); and

(9) Reviewed such other financial studies, analyses and professional reports and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any assets or liabilities of UFJHD, MTFG or their subsidiaries and affiliates (the Related Companies), including any loan portfolios, deferred tax assets, valuation allowance or hedge or derivative positions, or been furnished with any such evaluation or appraisal. We are not experts in the evaluation of the adequacy of allowances for loan losses, and we have neither made an independent evaluation of the adequacy of allowances for loan losses of UFJHD or MTFG, nor have we reviewed any individual credit files of UFJHD, MTFG or their Related Companies and, as a result, we have assumed that the aggregate allowance for loan losses for each of UFJHD and MTFG is adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. We have not evaluated the solvency or fair value of UFJHD or MTFG under any local or national laws relating to bankruptcy, insolvency or similar matters. In addition, we have not conducted, or assumed any obligation to conduct, any physical inspection of the properties or facilities of UFJHD, MTFG or their Related Companies.

With respect to the financial and operating information, including, without limitation, financial forecasts, valuation of contingencies, projections regarding risk-weighted assets and capital as defined under relevant Japanese regulations, under-performing or non-performing assets, net charge-offs, adequacy of reserves, future economic conditions, and the Expected Synergies, furnished to or discussed with us by UFJHD or MTFG, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of senior management of UFJHD and MTFG as to the expected future financial performance of UFJHD, MTFG and the combined entity and the Expected Synergies.

We have assumed that shares of Series 2 Class 2 Preferred Shares, Series 4 Class 4 Preferred Shares, Series 5 Class 5 Preferred Shares, Series 6 Class 6 Preferred Shares and Series 7 Class 7 Preferred Shares of UFJHD (collectively, the UFJHD Preferred Shares) will be exchanged for preferred shares to be newly issued by MTFG, respectively (collectively, the New MTFG Preferred Shares), as set forth in the Draft of the Integration Agreement. We have also assumed that the terms of the New MTFG Preferred Shares will be substantially the same as the terms of the respective UFJHD Preferred Shares, other than the adjustment to the conversion price of the UFJHD Preferred Shares to reflect the Merger Ratio. To the extent our opinion takes into consideration dilution that would result from the conversion of the UFJHD Preferred Shares, we have assumed that the UFJHD Preferred Shares would be converted in accordance with the respective conversion price or assumed conversion price of the UFJHD Preferred Shares. We express no opinion as to whether or when holders of the UFJHD Preferred Shares or the New MTFG Preferred Shares may elect to convert such shares.

We have further assumed that the Merger will be accounted for as a pooling of interests under generally accepted accounting principles in Japan (Japanese GAAP), which differ in certain respects from accounting principles generally accepted in other countries, and that it will qualify as a tax-free reorganization for Japanese income tax purposes. Our opinion is based upon financial information in accordance with Japanese GAAP which is supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available. We have not reviewed any financial information prepared by UFJHD or MTFG under generally accepted accounting principles in the United States (US GAAP) and have not taken account of any differences between Japanese GAAP and US GAAP.

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We have also assumed that the final form of the Integration Agreement will be substantially similar to the Draft of the Integration Agreement.

Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to us as of, the date hereof, and we are under no obligation to update our opinion. We have assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the Merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the Merger.

In connection with the preparation of this opinion, we have not been authorized by UFJHD or the Board of Directors of UFJHD to solicit, nor have we solicited, third-party indications of interest for the acquisition of all or any part of UFJHD. We note that UFJHD has received an unsolicited merger proposal (the Proposed SMFG Merger) from Sumitomo Mitsui Financial Group, Inc. (SMFG). Because UFJHD has determined not to engage in any discussions with any person regarding a transaction that might be an alternative to the Merger and we have not discussed, nor have we been asked to discuss, the Proposed SMFG Merger with SMFG or its representatives, we have not been able to evaluate the Proposed SMFG Merger, including any cost savings, revenue enhancement and related expenses expected to result from the Proposed SMFG Merger, on the same basis on which we have evaluated the Merger. As a result, we are not in the position to express any opinion as to the relative merits of the Merger and the Proposed SMFG Merger.

We are acting as financial advisor to UFJHD and UFJ Bank Limited (UFJ Bank), a subsidiary of UFJHD, in connection with the Merger and will receive a fee from UFJHD and UFJ Bank for our services, all of which is contingent upon the consummation of the Merger. In addition, UFJHD and UFJ Bank have agreed to indemnify us for certain liabilities arising out of our engagement. We acted as financial advisor to UFJ Bank in connection with the issuance of the Class E preferred shares Series 1 of UFJ Bank and we received a fee for such services. We have, in the past, provided other financial advisory and financing services to UFJHD, UFJ Bank and MTFG and may continue to do so, and have received, and may receive, fees for the rendering of such services. We also directly or indirectly have an equity interest in, and provide know-how and expertise to, UFJ Strategic Partner Co., Ltd., (UFJSP), a subsidiary of UFJ Bank, and Genesis Capital K.K. (Genesis Capital), a joint venture with UFJ Bank and UFJSP, both of which are engaged in the management of non-performing loans. We may obtain profit through our direct or indirect equity stake in UFJSP and Genesis Capital (the Principal Investment Profit). Upon the merger of UFJ Bank with and into The Bank of Tokyo-Mitsubishi, Ltd., contemplated by UFJHD and MTFG to occur contemporaneously with the Merger, we will become entitled to obtain control of UFJSP and to accelerate the return of our original investment and our receipt of the Principal Investment Profit; however, the Merger Ratio will not affect the amount of the Principal Investment Profit. In addition, in the ordinary course of our business, we may actively trade the UFJHD Common Shares and other securities of UFJHD and its Related Companies, as well as the MTFG Common Shares and other securities of MTFG and its Related Companies, for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors of UFJHD. If reference to this opinion is required by law or regulation in any jurisdictions other than Japan, or by the Board of Directors of UFJHD, to be made in a proxy statement, we will not unreasonably withhold our consent thereto so long as the full text of our opinion is reproduced therein and we approve in advance the text of any accompanying disclosure. Except as permitted by the preceding sentence, our opinion may not be reproduced, summarized, described or referred to or given to any person without our prior written consent. Our opinion does not address the merits of the underlying decision by UFJHD to engage in the Merger and does not constitute a recommendation to any UFJHD shareholder as to how such shareholder should vote on the Merger or any matter related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of UFJHD, other than the holders of the UFJHD Common Shares.

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We are not expressing any opinion herein as to the prices at which the UFJHD Common Shares, the MTFG Common Shares or the common shares of the combined entity will trade following the announcement of the Merger Ratio or consummation of the Merger, as applicable.

On the basis of and subject to the foregoing, we are of the opinion that, as of the date hereof, the Merger Ratio is fair from a financial point of view to the holders of the UFJHD Common Shares.

Very truly yours,

Merrill Lynch Japan Securities Co., Ltd.

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ANNEX I

ENGLISH TRANSLATION OF FAIRNESS OPINION, DATED FEBRUARY 18, 2005,

DELIVERED BY JPMORGAN TO THE BOARD OF UFJ HOLDINGS

[JPMorgan letterhead]

February 18, 2005

The Board of Directors

UFJ Holdings, Inc.

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock (the Holdings Common Stock) of UFJ Holdings, Inc. (Holdings) of the Merger Ratio (as defined below) in the proposed merger (the Merger) of Holdings with Mitsubishi Tokyo Financial Group, Inc. (MTFG). Pursuant to the Basic Agreement, dated as of August 12, 2004 (the Basic Agreement), among Holdings, UFJ Bank Limited (Bank), UFJ Trust Bank Limited, UFJTSUBASA Securities Co., Ltd., MTFG, The Bank of Tokyo-Mitsubishi, Ltd., The Mitsubishi Trust and Banking Corporation and Mitsubishi Securities Co., Ltd. and the Integration Agreement (the Integration Agreement and, together with the Basic Agreement, the Agreements) scheduled to be executed on February 18, 2005 by and among the same parties as those to the Basic Agreement, Holdings intends to merge with MTFG, but subject to execution of a merger agreement between them with respect to the Merger, and subject also to shareholder approval of such merger agreement and certain other conditions. The draft dated as of February 17, 2005 of the Integration Agreement (the Draft Integration Agreement) provides that in the Merger 0.62 shares of common stock of MTFG (the MTFG Common Stock) shall be allotted to holders of Holdings Common Stock in respect of each share of Holdings Common Stock held by them (the ratio of the number of shares of MTFG Common Stock to be so allotted to one share of Holdings Common Stock being hereinafter referred to as the Merger Ratio). We note that Sumitomo Mitsui Financial Group, Inc. (SMFG) has publicly proposed a merger with Holdings (the SMFG Bid) in which one share of common stock SMFG (the SMFG Common Stock) would be allotted to holders of Holdings Common Stock in respect of each share of Holdings Common Stock held by them (the ratio of the number of shares of SMFG Common Stock to be so allotted to one share of Holdings Common Stock being hereinafter referred to as the SMFG Merger Ratio).

In arriving at our opinion, we have (i) reviewed the Basic Agreement; (ii) reviewed the Draft Integration Agreement; (iii) reviewed certain publicly available business and financial information concerning Holdings, MTFG, SMFG and the industries in which they operate; (iv) compared the proposed financial terms of the Merger with the publicly available financial terms of the SMFG Bid; (v) compared the financial and operating performance of Holdings and MTFG with publicly available information concerning SMFG and certain other companies we deemed relevant and reviewed the current and historical market prices of the Holdings Common Stock, the MTFG Common Stock, the SMFG Common Stock and certain publicly traded securities of such other companies; (vi) reviewed certain internal financial analyses and forecasts prepared by the managements of Holdings and MTFG relating to their respective businesses, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Merger (the Synergies); (vii) reviewed certain due diligence reports prepared by advisors to Holdings; and (viii) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion. We have not had any opportunity to review any non-public business or financial information concerning SMFG.

In addition, we have held discussions with certain members of the management of Holdings and MTFG with respect to certain aspects of the Merger, and the past and current business operations of Holdings and MTFG, the financial condition and future prospects and operations of Holdings and MTFG, the effects of the Merger on the

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financial condition and future prospects of Holdings and MTFG, and certain other matters we believed necessary or appropriate to our inquiry. As instructed by you, we have conducted only limited due diligence on the financial and operating performance and condition of Holdings and MTFG. As further instructed by you, we have not had any discussions with any representatives of SMFG concerning the SMFG Bid. As a result, the analysis you requested and this letter are limited to the extent of the information that was made available to us.

In giving our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished to us by Holdings and MTFG or otherwise reviewed by us, and we have not assumed any responsibility or liability therefor. We have not conducted any valuation or appraisal of any assets or liabilities and have not been provided with any such valuations or appraisals, nor have we evaluated the solvency of Holdings or MTFG or any of their respective subsidiaries under laws of any jurisdiction relating to bankruptcy, insolvency or similar matters. In addition, we are not experts in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect thereto and, accordingly, we have assumed that such allowances for losses are in the aggregate adequate to cover such losses. We have not reviewed individual credit files nor have we made an independent evaluation or appraisal of the assets and liabilities (including any derivative or off-balance-sheet assets and liabilities including, but not limited to, valuation allowances) of Holdings or MTFG or any of their respective subsidiaries, and we have not been furnished with any such evaluation or appraisal.

In relying on financial analyses and forecasts provided to us, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Holdings and MTFG to which such analyses or forecasts relate.

We have further assumed that the Merger will be accounted for as a pooling of interests under generally accepted accounting principles in Japan (Japanese GAAP), which differ in certain respects from accounting principles generally accepted in other countries, and that it will qualify as a tax-free reorganization for Japanese income tax purposes. Our opinion is based upon financial information in accordance with Japanese GAAP which is supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available. We have not reviewed any financial information prepared by Holdings or MTFG under generally accepted accounting principles in the United States (US GAAP) and have not taken account of any differences between Japanese GAAP and US GAAP.

We have also assumed that shares of Series 2 Class 2 Preferred Shares, Series 4 Class 4 Preferred Shares, Series 5 Class 5 Preferred Shares, Series 6 Class 6 Preferred Shares and Series 7 Class 7 Preferred Shares of Holdings (collectively, the Holdings Preferred Shares) will be exchanged for the preferred shares to be newly issued by MTFG (collectively, the New MTFG Preferred Shares), as set forth in the Integration Agreement. We have also assumed that the terms of the New MTFG Preferred Shares will be substantially the same as the terms of the related Holdings Preferred Shares, other than the adjustment to the conversion price of the Holdings Preferred Shares to reflect the Merger Ratio. To the extent our opinion takes into consideration dilution that would result from the conversion of the Holdings Preferred Shares, we have assumed that the Holdings Preferred Shares would be converted into Holdings Common Stock, as the case may be, in accordance with the respective conversion prices or assumed conversion prices of the Holdings Preferred Shares. We express no opinion as to whether or when holders of the Holdings Preferred Shares or the New MTFG Preferred Shares may elect to convert such shares.

We have relied as to all legal matters relevant to rendering our opinion upon the advice of counsel. We have assumed that the definitive Integration Agreement will not differ in any material respect from the Draft Integration Agreement furnished to us. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Merger will be obtained without any adverse effect on Holdings or MTFG or on the contemplated benefits of the Merger.

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Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, to the holders of Holdings Common Stock of the Merger Ratio in the proposed Merger and we express no opinion as to the underlying decision by Holdings to engage in the Merger. We are expressing no opinion herein as to the price at which MTFG Common Stock will trade at any future time. In addition, we are expressing no opinion with respect to any other merger transaction contemplated by the Agreements.

We note that we were not authorized to and did not solicit any expressions of interest from any other parties with respect to the Merger or any other alternative transaction. In addition, we were not permitted by you to engage in any discussions or negotiations with representatives of SMFG concerning the SMFG Bid. Our financial analysis of the SMFG Bid was subject to the limitations described above. We are expressing no opinion herein as to fairness, from a financial point of view, of the SMFG Merger Ratio, the relative merits, from a financial point of view, of the SMFG Bid and the proposed Merger or as to whether any alternative transaction might produce consideration for Holdings shareholders in an amount in excess of that contemplated in the Merger.

We have acted as financial advisor to Holdings and Bank with respect to the proposed Merger and we will receive fees from Holdings and Bank for our services if the proposed Merger is consummated. We acted as financial advisor to Holdings and Bank in connection with the issuance of Series 1 Class E preferred shares of Bank and we received a fee for such services. We and our affiliates have, in the past, provided other financial advisory and financing services to Holdings, Bank and MTFG and may continue to do so, and have received, and may receive, fees for the rendering of such services. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of Holdings, MTFG, UFJTSUBASA Securities Co., Ltd., Mitsubishi Securities Co., Ltd. or SMFG for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Merger Ratio in the proposed Merger is fair, from a financial point of view, to the holders of the Holdings Common Stock.

This letter is provided to the Board of Directors of Holdings in connection with and for the purposes of its evaluation of the Merger. This opinion does not constitute a recommendation to any shareholder of Holdings as to how such shareholder should vote with respect to the Merger or any other matter. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Holdings, other than the holders of the Holdings Common Stock. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval.

Very truly yours,

J.P. MORGAN SECURITIES ASIA PTE. LIMITED

TOKYO BRANCH

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ANNEX J

ENGLISH TRANSLATION OF FAIRNESS OPINION, DATED APRIL 20, 2005, DELIVERED BY MERRILL LYNCH TO THE BOARD OF UFJ HOLDINGS

Merrill Lynch Japan Securities Co., Ltd.

1-4-1 Nihonbashi

Chuo-ku, Tokyo 103-8230, Japan

April 20, 2005

Board of Directors

UFJ Holdings, Inc.

5-6, Fushimimachi 3-chome, Chuo-ku,

Osaka-shi, Osaka 541-0044, Japan

Members of the Board of Directors:

We understand that UFJ Holdings, Inc. (UFJHD) and Mitsubishi Tokyo Financial Group, Inc. (MTFG) have entered into an agreement dated February 18, 2005 (the Integration Agreement) and propose to enter into an agreement dated April 20, 2005 (the Merger Agreement), pursuant to which UFJHD will be merged with and into MTFG in a transaction (the Merger) in which each outstanding common share of UFJHD (the UFJHD Common Shares) will be converted into the right to receive 0.62 of a share (the Merger Ratio) of the common shares of MTFG (the MTFG Common Shares), all as set forth more fully in the Merger Agreement.

You have asked us whether, in our opinion, the Merger Ratio is fair from a financial point of view to the holders of the UFJHD Common Shares.

In arriving at the opinion set forth below, we have, among other things:

(1) Reviewed certain publicly available business and financial information relating to UFJHD and MTFG that we deemed to be relevant;

(2) Reviewed certain information, including financial forecasts, relating to the businesses, earnings, cash flow, assets, liabilities and prospects of UFJHD and MTFG furnished to us by senior management of UFJHD and MTFG, as well as the amount and timing of the cost savings, revenue enhancement and related expenses expected to result from the Merger (the Expected Synergies) furnished to us by senior management of UFJHD and MTFG;

(3) Conducted discussions with members of senior management of UFJHD and MTFG concerning the matters described in clauses (1) and (2) above, as well as their respective businesses and prospects before and after giving effect to the Merger and the Expected Synergies;

(4) Reviewed the market prices and valuation multiples for the UFJHD Common Shares and the MTFG Common Shares and compared them with those of certain publicly traded companies that we deemed to be relevant;

(5) Reviewed the publicly reported financial condition and results of operations of UFJHD and MTFG and compared them with those of certain publicly traded companies that we deemed to be relevant;

(6) Participated in certain discussions and negotiations among representatives of UFJHD and MTFG and their financial and legal advisors;

(7) Reviewed the potential pro forma impact of the Merger;

(8) Reviewed the Integration Agreement, the draft dated April 19, 2005 of the Integration Agreement Amendment (the Draft of Integration Agreement Amendment), and the draft dated April 19, 2005 of the Merger Agreement (the Draft of the Merger Agreement); and

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(9) Reviewed such other financial studies, analyses and professional reports and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any assets or liabilities of UFJHD, MTFG or their subsidiaries and affiliates (the Related Companies), including any loan portfolios, deferred tax assets, valuation allowance or hedge or derivative positions, or been furnished with any such evaluation or appraisal. We are not experts in the evaluation of the adequacy of allowances for loan losses, and we have neither made an independent evaluation of the adequacy of allowances for loan losses of UFJHD or MTFG, nor have we reviewed any individual credit files of UFJHD, MTFG or their Related Companies and, as a result, we have assumed that the aggregate allowance for loan losses for each of UFJHD and MTFG is adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. We have not evaluated the solvency or fair value of UFJHD or MTFG under any local or national laws relating to bankruptcy, insolvency or similar matters. In addition, we have not conducted, or assumed any obligation to conduct, any physical inspection of the properties or facilities of UFJHD, MTFG or their Related Companies.

With respect to the financial and operating information of UFJHD, MTFG and the combined entity, including, without limitation, financial forecasts, valuation of contingencies, projections regarding risk-weighted assets and capital as defined under relevant Japanese regulations, under-performing or non-performing assets, net charge-offs, adequacy of reserves, future economic conditions, and the Expected Synergies, furnished to or discussed with us by UFJHD or MTFG, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of senior management of UFJHD and MTFG.

We have assumed that shares of class II preferred shares, class IV preferred shares, class V preferred shares, class VI preferred shares and class VII preferred shares of UFJHD (collectively, the UFJHD Preferred Shares) will be exchanged for preferred shares to be newly issued by MTFG, respectively (collectively, the New MTFG Preferred Shares), as set forth in the appendix to the Draft of the Merger Agreement. We have also assumed that the terms of the New MTFG Preferred Shares will be as set forth in the appendix to the Draft of the Merger Agreement. To the extent our opinion takes into consideration dilution that would result from the conversion of the UFJHD Preferred Shares, we have assumed that the UFJHD Preferred Shares would be converted in accordance with the respective conversion price or assumed conversion price of the UFJHD Preferred Shares. We express no opinion as to whether or when holders of the UFJHD Preferred Shares or the New MTFG Preferred Shares may elect to convert such shares.

We have further assumed that the Merger will be accounted for as a pooling of interests under generally accepted accounting principles in Japan (Japanese GAAP), which differ in certain respects from accounting principles generally accepted in other countries, and that it will qualify as a tax-free reorganization for Japanese income tax purposes. Our opinion is based upon financial information in accordance with Japanese GAAP which is supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available. We have not reviewed any financial information prepared by UFJHD or MTFG under generally accepted accounting principles in the United States (US GAAP) and have not taken account of any differences between Japanese GAAP and US GAAP.

We have also assumed that the final form of the Merger Agreement will be substantially similar to the Draft of the Merger Agreement.

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Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to us as of, the date hereof, and we are under no obligation to update our opinion. We have assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the Merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the Merger.

In connection with the preparation of this opinion, we have not been authorized by UFJHD or the Board of Directors of UFJHD to solicit, nor have we solicited, third-party indications of interest for the acquisition of all or any part of UFJHD.

We are acting as financial advisor to UFJHD and UFJ Bank Limited (UFJ Bank), a subsidiary of UFJHD, in connection with the Merger and will receive a fee from UFJHD and UFJ Bank for our services, all of which is contingent upon the consummation of the Merger. In addition, UFJHD and UFJ Bank have agreed to indemnify us for certain liabilities arising out of our engagement. We acted as financial advisor to UFJHD and UFJ Bank in connection with the issuance of the Class E preferred shares Series 1 of UFJ Bank and we received a fee for such services. We have, in the past, provided other financial advisory and financing services to UFJHD, UFJ Bank and MTFG and may continue to do so, and have received, and may receive, fees for the rendering of such services. We also directly or indirectly have an interest in, and provide know-how and expertise to, UFJ Strategic Partner Co., Ltd., (UFJSP), a subsidiary of UFJ Bank, Genesis Capital K.K. (Genesis Capital) and the Genesis Fund, joint ventures with UFJ Bank, UFJSP and UFJ Tsubasa Securities Co., Ltd., all of which are engaged in the management of non-performing loans. We may obtain profit through our direct or indirect equity stake in UFJSP and Genesis Capital as well as our direct or indirect investment in the Genesis Fund (the Principal Investment Profit). Upon the merger (the Commercial Bank Subsidiaries Merger) of UFJ Bank with and into The Bank of Tokyo-Mitsubishi, Ltd., contemplated by UFJHD and MTFG to occur contemporaneously with the Merger, we would have been entitled to obtain control of UFJSP and to accelerate the return of our original investment and our receipt of the Principal Investment Profit. On March 31, 2005, we executed a waiver pursuant to which we agreed not to exercise such rights upon the Commercial Bank Subsidiaries Merger. Accordingly, Merrill Lynch s investments in UFJSP, Genesis Capital and the Genesis Fund will not be affected by whether the Merger or the Commercial Bank Subsidiaries Merger occurs, by the Merger Ratio or by the timing of the Merger or the Commercial Bank Subsidiaries Merger. In addition, in the ordinary course of our business, we may actively trade the UFJHD Common Shares and other securities of UFJHD and its Related Companies, as well as the MTFG Common Shares and other securities of MTFG and its Related Companies, for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors of UFJHD. If reference to this opinion is required by law or regulation in any jurisdictions other than Japan, or by the Board of Directors of UFJHD, to be made in a proxy statement, we will not unreasonably withhold our consent thereto so long as the full text of our opinion is reproduced therein and we approve in advance the text of any accompanying disclosure. Except as permitted by the preceding sentence, our opinion may not be reproduced, summarized, described or referred to or given to any person without our prior written consent. Our opinion does not address the merits of the underlying decision by UFJHD to engage in the Merger and does not constitute a recommendation to any UFJHD shareholder as to how such shareholder should vote on the Merger or any matter related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of UFJHD, other than the holders of the UFJHD Common Shares.

We are not expressing any opinion herein as to the prices at which the UFJHD Common Shares, the MTFG Common Shares or the common shares of the combined entity will trade following the announcement of the Merger Ratio or consummation of the Merger, as applicable.

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On the basis of and subject to the foregoing, we are of the opinion that, as of the date hereof, the Merger Ratio is fair from a financial point of view to the holders of the UFJHD Common Shares.

Very truly yours,

Merrill Lynch Japan Securities Co., Ltd.

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ANNEX K

ENGLISH TRANSLATION OF FAIRNESS OPINION, DATED APRIL 20, 2005,

DELIVERED BY JPMORGAN TO THE BOARD OF UFJ HOLDINGS

[JPMorgan letterhead]

April 20, 2005

The Board of Directors

UFJ Holdings, Inc.

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock (the Holdings Common Stock) of UFJ Holdings, Inc. (Holdings) of the Merger Ratio (as defined below) in the proposed merger (the Merger) of Holdings with Mitsubishi Tokyo Financial Group, Inc. (MTFG). Pursuant to the Basic Agreement, dated as of August 12, 2004 (the Basic Agreement), among Holdings, UFJ Bank Limited (Bank), UFJ Trust Bank Limited, UFJTSUBASA Securities Co., Ltd., MTFG, The Bank of Tokyo-Mitsubishi, Ltd. (BTM), The Mitsubishi Trust and Banking Corporation and Mitsubishi Securities Co., Ltd., the Integration Agreement dated as of February 18, 2005 and the Amendment to the Integration Agreement dated as of April 20, 2005 (collectively, the Integration Agreement and, together with the Basic Agreement, the Agreements) among the same parties as those to the Basic Agreement and the Merger Agreement (the Merger Agreement) scheduled to be executed on April 20, 2005 by and among Holdings and MTFG, Holdings intends to merge with MTFG, subject to shareholder approval of the Merger Agreement. The draft dated as of April 19, 2005 of the Merger Agreement (the Draft Merger Agreement) provides that in the Merger 0.62 shares of common stock of MTFG (the MTFG Common Stock) shall be allotted to holders of Holdings Common Stock in respect of each share of Holdings Common Stock held by them (the ratio of the number of shares of MTFG Common Stock to be so allotted to one share of Holdings Common Stock being hereinafter referred to as the Merger Ratio).

In arriving at our opinion, we have (i) reviewed the Agreements and the Draft Merger Agreement; (ii) reviewed certain publicly available business and financial information concerning Holdings, MTFG and the industries in which they operate; (iii) compared the financial and operating performance of Holdings and MTFG with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Holdings Common Stock, the MTFG Common Stock and certain publicly traded securities of such other companies; (iv) reviewed certain internal financial analyses and forecasts prepared by the managements of Holdings and MTFG relating to their respective businesses, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Merger (the Synergies); (v) reviewed certain due diligence reports prepared by advisors to Holdings; and (vi) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of Holdings and MTFG with respect to certain aspects of the Merger, and the past and current business operations of Holdings and MTFG, the financial condition and future prospects and operations of Holdings and MTFG, the effects of the Merger on the financial condition and future prospects of Holdings and MTFG, and certain other matters we believed necessary or appropriate to our inquiry. As instructed by you, we have conducted only limited due diligence on the financial and operating performance and condition of Holdings and MTFG. As a result, the analysis you requested and this letter are limited to the extent of the information that was made available to us.

In giving our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished to us by Holdings and MTFG or

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otherwise reviewed by us, and we have not assumed any responsibility or liability therefor. We have not conducted any valuation or appraisal of any assets or liabilities and have not been provided with any such valuations or appraisals, nor have we evaluated the solvency of Holdings or MTFG or any of their respective subsidiaries under laws of any jurisdiction relating to bankruptcy, insolvency or similar matters. In addition, we are not experts in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect thereto and, accordingly, we have assumed that such allowances for losses are in the aggregate adequate to cover such losses. We have not reviewed individual credit files nor have we made an independent evaluation or appraisal of the assets and liabilities (including any derivative or off-balance-sheet assets and liabilities including, but not limited to, valuation allowances) of Holdings or MTFG or any of their respective subsidiaries, and we have not been furnished with any such evaluation or appraisal. In relying on financial analyses and forecasts provided to us, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Holdings and MTFG to which such analyses or forecasts relate.

We have further assumed that the Merger will be accounted for as a pooling of interests under generally accepted accounting principles in Japan (Japanese GAAP), which differ in certain respects from accounting principles generally accepted in other countries, and that it will qualify as a tax-free reorganization for Japanese income tax purposes. Our opinion is based upon financial information in accordance with Japanese GAAP which has been supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available. We have not reviewed any financial information prepared by Holdings or MTFG under generally accepted accounting principles in the United States (US GAAP) and have not taken account of any differences between Japanese GAAP and US GAAP.

We have also assumed that each share of Series 2 Class 2 Preferred Shares, Series 4 Class 4 Preferred Shares, Series 5 Class 5 Preferred Shares, Series 6 Class 6 Preferred Shares and Series 7 Class 7 Preferred Shares of Holdings (collectively, the Holdings Preferred Shares) will be exchanged for one share of Class 8 Preferred Shares, Class 9 Preferred Shares, Class 10 Preferred Shares and Class 11 Preferred Shares of MTFG (collectively, the New MTFG Preferred Shares), respectively, as set forth in the Merger Agreement. To the extent our opinion takes into consideration dilution that would result from the conversion of the Holdings Preferred Shares, we have assumed that the Holdings Preferred Shares would be converted into Holdings Common Stock, as the case may be, in accordance with the respective conversion prices or assumed conversion prices of the Holdings Preferred Shares. We express no opinion as to whether or when holders of the Holdings Preferred Shares or the New MTFG Preferred Shares may elect to convert such shares.

We have relied as to all legal matters relevant to rendering our opinion upon the advice of counsel. We have assumed that the definitive Merger Agreement will not differ in any material respect from the Draft Merger Agreement furnished to us. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Merger will be obtained without any adverse effect on Holdings or MTFG or on the contemplated benefits of the Merger.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, to the holders of Holdings Common Stock of the Merger Ratio in the proposed Merger and we express no opinion as to the underlying decision by Holdings to engage in the Merger. We are expressing no opinion herein as to the price at which MTFG Common Stock will trade at any future time. In addition, we are expressing no opinion with respect to any other merger transaction contemplated by the Agreements.

We note that we were not authorized to and did not solicit any expressions of interest from any other parties with respect to the Merger or any other alternative transaction. In addition, we are expressing no opinion herein as to

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whether any alternative transaction might produce consideration for Holdings shareholders in an amount in excess of that contemplated in the Merger.

We have acted as financial advisor to Holdings and Bank with respect to the proposed Merger and we will receive fees from Holdings and Bank for our services if the proposed Merger is consummated. We acted as financial advisor to Holdings and Bank in connection with the issuance of Series 1 Class E preferred shares of Bank and we received a fee for such services. We and our affiliates have, in the past, provided other financial advisory and financing services to Holdings, Bank and MTFG and may continue to do so, and have received, and may receive, fees for the rendering of such services. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of Holdings, MTFG, UFJTSUBASA Securities Co., Ltd. or Mitsubishi Securities Co., Ltd. for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Merger Ratio in the proposed Merger is fair, from a financial point of view, to the holders of the Holdings Common Stock.

This letter is provided to the Board of Directors of Holdings in connection with and for the purposes of its evaluation of the Merger. This opinion does not constitute a recommendation to any shareholder of Holdings as to how such shareholder should vote with respect to the Merger or any other matter. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Holdings, other than the holders of the Holdings Common Stock. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval.

Very truly yours,

J.P. MORGAN SECURITIES ASIA PTE. LIMITED

TOKYO BRANCH