MITSUBISHI TOKYO FINANCIAL GROUP INC
Form 424B3
May 27, 2005
Table of Contents

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Registration No. 333-123136

Prospectus

Merger Proposal

between

MITSUBISHI TOKYO FINANCIAL GROUP, INC.

and

UFJ HOLDINGS, INC.

The boards of directors of Mitsubishi Tokyo Financial Group, Inc., or MTFG, and UFJ Holdings, Inc. have agreed to a statutory merger under the Commercial Code of Japan pursuant to which UFJ Holdings will merge with MTFG, with MTFG being the surviving entity. As a result of the merger, shareholders of UFJ Holdings will become shareholders of the surviving entity. Concurrently, the surviving entity will be renamed Mitsubishi UFJ Financial Group, Inc. and use the abbreviation MUFG . This merger is referred to as the merger in this prospectus. On February 18, 2005, the two companies entered into an integration agreement, which was subsequently amended on April 20, 2005, setting forth the merger ratio and certain other terms of the merger and, on April 20, 2005, the two parties entered into a merger agreement setting forth the final terms of the merger. The merger ratio has been set at 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock, and this ratio will not be adjusted to reflect changes in the market values of MTFG and UFJ Holdings common stock. Under the current schedule, the merger, if approved, is expected to be completed on or around October 1, 2005.

Based on the number of shares of UFJ Holdings capital stock issued as of March 31, 2005, MTFG expects to allocate an aggregate of 3,199,734 shares of its common stock, representing a 48.89% increase in MTFG s issued shares as of March 31, 2005, to shareholders of UFJ Holdings in connection with the merger. MTFG shares that will be used in the merger will consist of shares that MTFG will newly issue on the effective date of the merger.

As part of the merger, MTFG will issue one share of class 11 preferred shares in exchange for each share of UFJ Holdings class VI preferred shares. Based on the number of UFJ Holdings class VI preferred shares outstanding as of March 31, 2005, MTFG expects to allocate eight shares of its class 11 preferred stock to shareholders of UFJ Holdings in connection with the merger. Subject to the final terms being approved, the MTFG class 11 preferred shares will have a non-cumulative preferred dividend of ¥5,300 per share per annum and a liquidation preference of ¥1,000,000 per share. The MTFG class 11 preferred shares will generally have no voting rights except under special circumstances. The MTFG class 11 preferred shares will be convertible into common stock at the holder s option until July 31, 2014 at an initial conversion price of ¥918,700, subject to certain adjustments. The other terms of the MTFG class 11 preferred shares are expected to be substantially the same as those of UFJ Holdings class VI preferred shares. See Description of Preferred Stock for detailed information about the MTFG class 11 preferred shares.

The general meeting of shareholders of UFJ Holdings, at which the shareholders of UFJ Holdings will vote on the terms of the merger agreement, is currently scheduled to be held on June 29, 2005 at UFJ Holdings principal office in Tokyo, Japan. Shareholders of record of UFJ Holdings as of March 31, 2005 will be entitled to vote at that meeting. To attend and vote at the shareholders meeting, shareholders of UFJ Holdings must follow the procedures outlined in the convocation notice and the mail-in voting cards that UFJ Holdings will distribute to the shareholders of record.

The merger can only be completed if the terms of the merger agreement are approved by shareholders of MTFG and UFJ Holdings and several other conditions are satisfied. The additional conditions and other terms of the merger are more fully described in this prospectus. For a discussion of these conditions, please see The Merger Conditions to the Merger.

This prospectus has been prepared for shareholders of UFJ Holdings resident in the United States to provide them with detailed information in connection with the merger. It also provides important information about the shares of MTFG common stock and class 11 preferred stock to be issued and delivered to UFJ Holdings shareholders in connection with the merger. You are encouraged to read this prospectus in its entirety.

Shares of MTFG common stock are traded in Japanese yen on the Tokyo Stock Exchange under the code number 8306. On May 25, 2005, the last reported official sale price of shares of MTFG common stock on the Tokyo Stock Exchange was ¥904,000 per share. MTFG s common stock is also listed on the Osaka Securities Exchange in Japan and on the Official List of the UK Listing Authority and traded on the market for listed securities on the London Stock Exchange in the United Kingdom. Application has been made to list MTFG s common stock on the Nagoya Stock Exchange in Japan. ADSs, each representing one one-thousandth of a share of common stock of MTFG, are quoted on the New York Stock Exchange, or NYSE, under the symbol MTF . On May 25, 2005, the last reported official sale price of the ADSs on the NYSE was $8.38 per ADS.

MTFG is not asking for a proxy, and you may not send a proxy to MTFG.

You should carefully consider the risk factors beginning on page 16 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 26, 2005.

Table of Contents

TABLE OF CONTENTS

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This prospectus is part of a registration statement on Form F-4, which includes additional business and financial information about MTFG and UFJ Holdings that is not included in or delivered with this prospectus. This information is available to you without charge upon written or oral request. If you would like to receive any of the additional information, 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.**

For additional information about MTFG and UFJ Holdings, see Where You Can Obtain More Information.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q. What are MTFG and UFJ Holdings proposing?

A. MTFG and UFJ Holdings are proposing to merge, with MTFG being the surviving entity. As a result of the merger, holders of UFJ Holdings common stock will become holders of the surviving entity s common stock. On February 18, 2005, MTFG and UFJ Holdings entered into the integration agreement, which was subsequently amended on April 20, 2005, setting forth the merger ratio and, on April 20, 2005, the two parties entered into the merger agreement setting forth the final terms of the merger.

Q. Why are MTFG and UFJ Holdings proposing the merger?

A. MTFG and UFJ Holdings aim, through the merger, to create a leading comprehensive financial group that is competitive on a global basis and provides a broad range of financial products and services to a worldwide client base. MTFG and UFJ Holdings believe that their business operations and domestic and global branch networks are highly complementary. By leveraging the respective strengths of each group, creating synergies through the merger and reinforcing a customer-focused management philosophy, the combined entity will seek to become Japan s premier comprehensive global financial group. The combined entity will have what the parties believe is the largest market value among Japanese financial institutions, and it will be the largest bank in the world when measured by assets. The combined entity will also have a strong presence in core financial business areas, including:

- banking;
- trust banking;
- securities;
- investment trusts;
- credit cards and consumer finance;
- leasing; and
- international banking.

Q. What will UFJ Holdings shareholders receive in the merger?

A. Holders of UFJ Holdings common stock will receive 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock. For a discussion of the merger ratio, please see The Merger.

Holders of UFJ Holdings preferred stock are currently expected to receive shares of MTFG preferred stock as follows:

- Holders of class II preferred shares of UFJ Holdings: an equal number of shares of class 8 preferred shares newly issued by MTFG
- Holders of class IV preferred shares of UFJ Holdings: an equal number of shares of class 9 preferred shares newly issued by MTFG
- Holders of class V preferred shares of UFJ Holdings: an equal number of shares of class 10 preferred shares newly issued by MTFG
- Holders of class VI preferred shares of UFJ Holdings: an equal number of shares of class 11 preferred shares newly issued by MTFG

- Holders of class VII preferred shares of UFJ Holdings: an equal number of shares of class 12 preferred shares newly issued by MTFG

Q. Does the board of directors of UFJ Holdings recommend the merger?

A. Yes. The board of directors of UFJ Holdings unanimously recommends that shareholders vote for the merger.

Q. How will fractional shares be treated in the merger?

A. If any fractional shares of MTFG common stock would otherwise be allotted to holders of UFJ Holdings common stock in the merger, such fractional shares will not be issued to the respective shareholders, but

Table of Contents

instead shares representing the aggregate of all such fractional shares, except for those consisting of 1% of one share or its integral multiples as described below, will be sold in the Japanese market and the net cash proceeds from the sale will be distributed to the former holders of UFJ Holdings shares on a proportionate basis in accordance with the respective fractions, but disregarding fractional yen amounts. However, fractional shares of MTFG common stock consisting of 1% of one share or any integral multiples thereof will be entered or recorded in the fractional share register of MTFG.

Q. When is the merger expected to be completed?

A. MTFG and UFJ Holdings expect to complete the merger on or around October 1, 2005.

Q. What are the required votes to approve the merger agreement at the general meeting of shareholders of UFJ Holdings?

A. At the general meeting of UFJ Holdings shareholders, holders of record as of March 31, 2005 of issued shares of common stock and class I, class II, class IV, class V, class VI and class VII preferred shares are entitled to one vote per share. The following shares, however, are not entitled to vote at the general meeting of UFJ Holdings:

- treasury shares held by UFJ Holdings; and
- shares held by entities in which UFJ Holdings (together with its subsidiaries) holds more than 25% of the voting rights.

The required quorum for a vote on the terms of the merger agreement at the general meeting of UFJ Holdings shareholders is one-third of the aggregate of the above common and preferred shares with voting rights at the general meeting. In determining the required quorum for the shareholders meetings for UFJ Holdings, shares without voting rights are not counted. The class I, class II, class IV, class V, class VI and class VII preferred shares of UFJ Holdings, which in the aggregate and as of March 31, 2005 represented 12.10% of the total number of shares entitled to vote, are voting together with the common stock shareholders at the ratio of one vote for one preferred share because a proposal to pay the full amount of preferential dividends on those classes of preferred shares is not included in the agenda of the meeting.

The affirmative vote of shareholders comprising two-thirds of the above common and preferred shares with voting rights represented at the general meetings of shareholders of UFJ Holdings is required to approve the terms of the merger agreement.

In addition, the terms of the merger agreement are also required to be approved at the class shareholders meetings for each class of UFJ Holdings shares, namely the common shares and the class I, class II, class IV, class V, class VI and class VII preferred shares, by the affirmative vote of two-thirds of the issued shares of the relevant class with voting rights represented at each class shareholders meeting. The required quorum at the common share class shareholders meeting is a majority of the issued common shares with voting rights, and the required quorum at each of the preferred class shareholders meetings is a majority of the total issued shares for the relevant class of preferred shares.

Q. If I own UFJ Holdings shares how do I vote at the shareholders meeting?

A. If you have one or more shares of UFJ Holdings common stock, you will have voting rights with respect to each share of common stock. You may exercise voting rights by attending the shareholders meeting in person or by having another shareholder having voting rights attend the meeting as your attorney-in-fact, by the Internet or by arranging to return the mail-in voting card sent to the registered shareholders by UFJ Holdings. Completed voting cards must be received at least one day before the meeting. If you are a UFJ Holdings shareholder resident in the United States, mail-in voting cards and related materials will be sent to your standing proxies in Japan, if you have one, who will then transmit those voting cards and related

Table of Contents

materials to you according to the terms of the respective proxy agreements. If you are not residing in Japan, you are encouraged to contact your standing proxy in Japan or your securities broker through which you purchased the shares. A UFJ Holdings shareholder is also entitled to exercise voting rights through the Internet by accessing UFJ Holdings website and inputting an exercise code and password. Internet voting is available only on UFJ Holdings Japanese-language website.

Q. What is the record date for voting at the shareholders meeting?

A. The record date will be March 31, 2005. Accordingly, holders of UFJ Holdings shares of record as of March 31, 2005 will be eligible to vote at the shareholders meeting to be held on June 29, 2005. Holders of shares issued after March 31, 2005, such as shares that may be issued after March 31, 2005 as a result of convertible or exchangeable securities (which were issued prior to March 31, 2005) being converted or exchanged, will not be entitled to vote at the shareholders meeting.

Q. What materials am I receiving?

A. UFJ Holdings will distribute voting materials, including a mail-in voting card, to registered shareholders that will enable them to exercise their voting rights. For shareholders who are not resident in Japan and have a standing proxy in Japan, UFJ Holdings will distribute voting materials to their standing proxies in Japan. Therefore, if you are a UFJ Holdings shareholder that is not resident in Japan and have a standing proxy in Japan with respect to UFJ Holdings shares, you are encouraged to contact your standing proxy in Japan. If you are a UFJ Holdings shareholder that is not resident in Japan and have purchased UFJ Holdings shares through a securities broker located outside Japan, you are encouraged to ask your broker to obtain the voting materials from its standing proxy or custodian in Japan or to otherwise make proper arrangements.

Q. How will shares represented at the shareholders meeting by mail-in voting cards be treated?

A. The voting cards used for the general meeting of shareholders of UFJ Holdings will list the proposals to be voted on by shareholders at the general meeting, including approval of the terms of the merger agreement. The voting cards will allow shareholders to indicate a for or against vote with respect to each proposal. In accordance with Japanese law and practice, UFJ Holdings intends to count towards the quorum requirements for its shareholders meeting any shares represented by voting cards that are returned to UFJ Holdings, including voting cards that do not indicate a for or against vote for any of the proposals, and to count voting cards that do not indicate a for or against vote for any proposal as having voted for approval of the proposals, including the terms of the merger agreement.

Q. May I change my vote after I submit my mail-in voting card?

A. Yes. If you want to change your previously returned voting card, you must either attend the shareholders meeting personally or through another shareholder having voting rights, whom you appoint as your attorney-in-fact, or vote via the Internet. By attending the meeting in person or having another shareholder who has voting rights and is authorized to vote your shares attend the meeting on your behalf, or by voting via the Internet, you will automatically revoke your mail-in voting card. Your vote submitted via the Internet, however, will also be automatically revoked if you subsequently attend the shareholders meeting in person or through another shareholder having voting rights whom you appoint as your attorney-in-fact.

Q. May I change my vote after I submit my vote via the Internet?

A. Yes. If you wish to change a vote previously submitted via the Internet, you must either attend the shareholders meeting personally or through another shareholder having voting rights whom you appoint as your attorney-in-fact, or by resubmitting your vote via the Internet. By attending the meeting in person or having another shareholder entitled to vote your shares attend the meeting on your behalf, or by

3

Table of Contents

resubmitting your vote via the Internet, you will automatically revoke your vote previously submitted via the Internet. If you submit more than one vote via the Internet, the last vote submitted will be counted.

Q. If my shares are held in street name by my broker, will my broker vote them for me without instructions?

A. Whether your broker will vote your shares without your instructions depends on the terms and conditions of the agreement entered into by you and your broker. Therefore, you are encouraged to contact your broker directly to confirm the applicable voting procedure.

Q. Do I have opposition rights?

A. Under the Commercial Code of Japan, you are entitled to opposition rights of appraisal in connection with the merger if you comply with the procedures set forth in the Commercial Code of Japan. Any UFJ Holdings shareholder who notifies UFJ Holdings in writing prior to the general meeting of shareholders of his or her intention to oppose the merger, and who votes against the approval of the terms of the merger agreement at the general meeting and complies with the other relevant procedures set forth in the Commercial Code of Japan, may demand that UFJ Holdings purchase his or her shares of UFJ Holdings common stock at the fair value which such shares would have had but for the resolution approving the terms of the merger agreement. The failure of a shareholder of UFJ Holdings to provide such notice prior to the general meeting or to vote against the approval of the terms of the merger agreement at the general meeting will in effect constitute a waiver of the shareholder s right to demand that UFJ Holdings purchase his or her shares of common stock at that value.

Q. Should I send in my stock certificates now?

A. No. After the terms of the merger agreement are approved at the shareholders meetings of MTFG and UFJ Holdings, you, your standing proxy or custodian in Japan or your broker will, on your or your broker s behalf, receive a notice requesting that shareholders submit their share certificates representing UFJ Holdings stock during the period stated in the notice, which will end one day prior to the date of the merger. The notice will also include instructions on how to exchange your UFJ Holdings share certificates for MTFG share certificates. Please do not send your share certificates until you receive these instructions from your standing proxy in Japan or broker.

Q. How will trading in UFJ Holdings shares be affected in connection with the completion of the merger?

A. Under the current schedule and assuming the merger is approved, UFJ Holdings shares will be delisted from the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange in Japan and from the Official List of the UK Listing Authority in the United Kingdom on or around September 27, 2005.

The additional shares of MTFG to be issued on the effective date of the merger are expected to be listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange in Japan and on the Official List of the UK Listing Authority in the United Kingdom. ADSs, each representing one one-thousandth of one share of the surviving entity, are also expected to be traded on the New York Stock Exchange in the United States.

Q. Will I receive dividends on UFJ Holdings common stock for the year ended March 31, 2005 from UFJ Holdings?

A. No. UFJ Holdings has previously announced that it will not pay a dividend on its common stock or preferred stock for the year ended March 31, 2005.

Table of Contents

Q. Will I be entitled to receive dividends from MTFG on shares of MTFG common stock for the year ended March 31, 2005 or the interim period ending September 30, 2005?

A. No. You will not receive dividends for the year ended March 31, 2005, or the interim period ending September 30, 2005. MTFG has announced that it intends to pay dividends of ¥6,000 per share in June 2005 to holders of record of its common shares as of March, 31, 2005, subject to approval at MTFG s general meeting of shareholders in June 2005. MTFG also currently expects to pay interim dividends of ¥3,000 per share in December 2005 to holders of record of its common shares as of September 30, 2005, subject to approval at MTFG s board of directors meeting in December 2005.

Q. What are the Japanese tax consequences of the merger?

A. 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 or loss 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. See Taxation Japanese Taxation.

Q. What are the U.S. tax consequences of the merger?

A. The merger may qualify as a tax-free reorganization for U.S. federal income tax purposes; however, this determination cannot be made until after the closing date of the merger. Therefore, it is possible that U.S. holders will recognize income or gain or loss for U.S. tax purposes upon the exchange of their UFJ Holdings shares for MTFG shares. See Taxation U.S. Federal Income Tax Considerations.

Q. Whom can I call with questions?

A. If you have more questions about the merger, you should call:

Mr. Hirotsugu Hayashi

Mitsubishi Tokyo Financial Group, Inc.

26F Marunouchi Building

4-1, Marunouchi 2-chome

Chiyoda-ku, Tokyo 100-6326

Japan

Telephone: +81-3-3240-9059

Mr. Hitoshi Shimamura

UFJ Holdings, Inc.

1-1, Otemachi 1-chome

Chiyoda-ku, Tokyo 100-8114

Japan

Telephone: +81-3-3212-5458

5

Table of Contents

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this entire prospectus.

The Companies

Mitsubishi Tokyo Financial Group, Inc. (Page 118)

MTFG is one of the world s leading bank holding companies. MTFG is a holding company for The Bank of Tokyo-Mitsubishi, Ltd. and The Mitsubishi Trust and Banking Corporation, or Mitsubishi Trust Bank. MTFG provides a broad range of financial services, including commercial banking, investment banking, trust-banking and asset management services, to individuals and corporate customers through its two principal subsidiaries and their respective subsidiaries. MTFG on a consolidated basis had total assets of ¥113.3 trillion as of September 30, 2004, net income of ¥823.0 billion for the fiscal year ended March 31, 2004 and net income of ¥131.4 billion for the six months ended September 30, 2004.

MTFG s address is:

Mitsubishi Tokyo Financial Group, Inc.

4-1, Marunouchi 2-chome

Chiyoda-ku, Tokyo 100-6326

Japan

Telephone: +81-3-3240-8111

UFJ Holdings, Inc. (Page 131)

UFJ Holdings is the holding company for the UFJ group, which is one of Japan s leading providers of financial services. The UFJ group provides a broad spectrum of financial products and services, including retail banking, corporate banking, global banking and trading, trust services, securities underwriting and brokerage services, investment banking services and asset management services. UFJ Holdings on a consolidated basis had total assets of ¥82.6 trillion as of September 30, 2004, net income of ¥607.7 billion for the fiscal year ended March 31, 2004 and net income of ¥245.7 billion for the six months ended September 30, 2004.

UFJ Holdings address is:

UFJ Holdings, Inc.

5-6, Fushimimachi 3-chome

Chuo-ku, Osaka-shi, Osaka 541-0044

Japan

Telephone: +81-6-6228-7111

The Merger (Page 62)

The boards of directors of MTFG and UFJ Holdings have resolved to combine their businesses by consummating a statutory merger under the Commercial Code of Japan. On February 18, 2005, the two companies entered into an integration agreement, which was subsequently amended on April 20, 2005, setting forth the merger ratio and certain other terms of the merger and, on April 20, 2005, the two parties entered into a merger agreement setting forth the final terms of the merger.

If the terms of the merger agreement are approved at the two companies shareholders meetings, which are both currently scheduled to be held on June 29, 2005, and if the other conditions to completing the merger are satisfied, the merger is expected to be completed on or around October 1, 2005.

Table of Contents

On the date the merger becomes effective, UFJ Holdings will merge with MTFG, with MTFG being the surviving entity. As a result of the merger, UFJ Holdings shareholders of record as of the date one day prior to the date of the merger, other than MTFG (if it holds UFJ Holdings common stock on that date), will become entitled to receive 0.62 shares of MTFG common stock in exchange for each share of UFJ Holdings common stock. The resulting number of shares of MTFG common stock to which UFJ Holdings shareholders are entitled will be recorded in MTFG s register of shareholders. The shares representing the aggregate of all fractional shares less than integral multiples of 1% of one share of MTFG will be sold through the Tokyo Stock Exchange, and the net cash proceeds from the sale will be distributed to the former holders of UFJ Holdings shares on a proportionate basis in accordance with the respective fractions, but disregarding fractional yen amounts. The fractional shares consisting of 1% of one share or any integral multiples thereof will be entered or recorded in the fractional share register of MTFG.

Holders of UFJ Holdings preferred stock are currently expected to receive shares of MTFG preferred stock as follows:

- Holders of class II preferred shares of UFJ Holdings: an equal number of shares of class 8 preferred shares newly issued by MTFG
- Holders of class IV preferred shares of UFJ Holdings: an equal number of shares of class 9 preferred shares newly issued by MTFG
- Holders of class V preferred shares of UFJ Holdings: an equal number of shares of class 10 preferred shares newly issued by MTFG
- Holders of class VI preferred shares of UFJ Holdings: an equal number of shares of class 11 preferred shares newly issued by MTFG
- Holders of class VII preferred shares of UFJ Holdings: an equal number of shares of class 12 preferred shares newly issued by MTFG

Based on the closing prices of MTFG and UFJ Holdings common shares and the fair value of the preferred shares as of February 18, 2005, the last full trading day prior to the companies entering into and announcing the integration agreement, the aggregate transaction value was ¥4.4 trillion. Based on the same market information and the fair value of the preferred shares as of May 16, 2005 (which is the most current practicable date to calculate the transaction value), the aggregate transaction value was ¥4.1 trillion.

Reasons for the Merger (Page 68)

MTFG and UFJ Holdings aim, through the merger, to create a leading comprehensive financial group that is competitive on a global basis and provides a broad range of financial products and services to a worldwide client base. MTFG and UFJ Holdings believe that their business operations and domestic and global branch networks are highly complementary. By leveraging the respective strengths of each group, creating synergies through the merger and reinforcing a customer-focused management philosophy, the combined entity will seek to become Japan s premier comprehensive global financial group. The combined entity will have what the parties believe is the largest market value among Japanese financial institutions, and it will be the largest bank in the world when measured by assets. The combined entity will also have a strong presence in core financial business areas, including:

- banking;
- trust banking;
- credit cards and consumer finance;
- leasing; and

- securities;
- investment trusts;
- international banking.

Table of Contents

MTFG believes that the proposed merger with UFJ Holdings would enable MTFG to further its goal of becoming a comprehensive, globally competitive financial group for several reasons, including:

- UFJ Holdings competitive position in Japan s Nagoya and Osaka metropolitan areas is highly complementary to MTFG s domestic network, which is primarily focused in the Tokyo metropolitan region; and
- UFJ Holdings client base of small- and medium-sized enterprises and retail customers complements MTFG s primarily corporate client base, facilitating the development of diverse products and services and a more focused sales approach.

In agreeing to the proposed merger terms, UFJ Holdings particularly considered that:

- a merger with MTFG is attractive from a financial condition perspective because MTFG
  - is alone among Japan s four largest banking groups in having repaid all public funds, and
  - has a lower problem loan ratio and lower ratio of deferred tax assets to Tier I capital than Japan s other major banking groups;
- MTFG s strengths in the Tokyo metropolitan area and overseas markets complement UFJ Holdings prominent position in the Nagoya and Osaka metropolitan areas; and
- MTFG s corporate client base is complementary to the focus of UFJ Holdings on retail customers and small- and medium-sized enterprises.

UFJ Holdings believes the combined entity will have a stronger presence with large corporate clients in Japan and in overseas markets than UFJ Holdings currently enjoys.

Required UFJ Holdings Shareholder Approvals (Pages 59 and 60)

UFJ Holdings plans to seek shareholder approval of the terms of the merger agreement at its general meeting of shareholders, which is currently scheduled to be held on June 29, 2005 in Japan at its office in Tokyo. Under the Commercial Code of Japan, the notice of convocation of a general meeting of shareholders must be sent at least two weeks in advance to all shareholders of record having voting rights. For shareholders not resident in Japan, UFJ Holdings will send the notice of convocation to their standing proxies in Japan or other persons in Japan who hold the shares on behalf of those shareholders and in whose name the shares are registered in UFJ Holdings register of shareholders. UFJ Holdings plans to mail out its notice on June 13, 2005.

At this meeting, among other things, shareholders will be asked to approve the final terms of the merger agreement into which MTFG and UFJ Holdings entered on April 20, 2005.

At the general meeting of UFJ Holdings shareholders, holders of record as of March 31, 2005 of issued shares of common stock and class I, class II, class IV, class V, class VI and class VII preferred shares will be entitled to one vote per share. The following shares, however, will not be entitled to vote at the general meeting of UFJ Holdings:

- treasury shares held by UFJ Holdings; and
- shares held by entities in which UFJ Holdings (together with its subsidiaries) holds more than 25% of the voting rights.

The required quorum for a vote on the terms of the merger agreement at the general meeting of UFJ Holdings shareholders is one-third of the aggregate of the above common and preferred shares with voting rights at the general meeting. The class I, class II, class IV, class V, class VI and class VII preferred shares of UFJ

Table of Contents

Holdings, which in the aggregate and as of March 31, 2005 represented 12.10% of the total number of shares entitled to vote, are voting together with the common stock shareholders at the ratio of one vote for one preferred share because a proposal to pay the full amount of preferential dividends on those classes of preferred shares is not included in the agenda of the meeting.

At the general meeting of UFJ Holdings shareholders, the affirmative vote of shareholders comprising two-thirds of the common and preferred shares with voting rights represented at the general meetings of shareholders of UFJ Holdings is required to approve the terms of the merger agreement.

As of March 31, 2005, MTFG, its directors, executive officers and corporate auditors and their affiliates held of record approximately 1.3% of the voting rights of UFJ Holdings common stock, and approximately 6.1% of the voting rights of MTFG common stock (excluding shares held in trust accounts or shares held for trading purposes by the securities company subsidiaries).

As of March 31, 2005, UFJ Holdings, its directors, executive officers and corporate auditors and their affiliates held of record approximately 1.1% of the voting rights of UFJ Holdings common stock, and approximately 0.3% of the voting rights of MTFG common stock (excluding shares held in trust accounts or shares held for trading purposes by the securities company subsidiaries).

In addition, the terms of the merger agreement are also required to be approved at the class shareholders meetings for each class of UFJ Holdings shares, namely the common shares and the class I, class II, class IV, class V, class VI and class VII preferred shares, by the affirmative vote of two-thirds of the issued shares of the relevant class with voting rights represented at each class shareholders meeting. The required quorum at the common share class shareholders meeting is a majority of the issued common shares with voting rights, and the required quorum at each of the preferred class shareholders meetings is a majority of the total issued shares with voting rights for the relevant class of preferred shares.

UFJ Holdings General Meeting of Shareholders (Page 59)

Shareholders eligible to vote at the general meeting of shareholders of UFJ Holdings may do so in person, by arranging to return voting cards to UFJ Holdings or via the Internet. The voting cards will allow shareholders to indicate a for or against vote with respect to each proposal to be voted on at the meeting, including approval of the terms of the merger agreement.

Each UFJ Holdings shareholder is entitled, with certain exceptions, to one vote per share of common stock.

Table of Contents

Management (Page 307)

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. Specific capacities of the following individuals will be determined after the shareholders meetings of MTFG and UFJ Holdings.

From MTFG:

Directors

Name	Position at Combined Entity
Haruya Uehara	Director, Deputy Chairman and Chief Audit Officer
Nobuo Kuroyanagi	Director, President & Chief Executive Officer
Tatsunori Imagawa	Director, Deputy President and Chief Planning Officer
Hajime Sugizaki	Senior Managing Director and Chief Financial Officer
Yoshihiro Watanabe	Senior Managing Director and Chief Risk Management Officer
Shigemitsu Miki	Director
Kinya Okauchi	Director
Nobuyuki Hirano	Director
Ryotaro Kaneko	Director
Takuma Otoshi	Director

Corporate Auditors

Name	Position at Combined Entity
Setsuo Uno	Corporate Auditor (Full-time)
Takeo Imai	Corporate Auditor
Tsutomu Takasuka	Corporate Auditor

From UFJ Holdings:

Directors

Name	Position at Combined Entity
Ryosuke Tamakoshi	Chairman
Toshihide Mizuno	Senior Managing Director
Shintaro Yasuda	Director
Hirohisa Aoki	Director
Hiroshi Hamada	Director
Iwao Okijima	Director

Corporate Auditors

Name	Position at Combined Entity
Haruo Matsuki	Corporate Auditor (Full-time)

Table of Contents

Mr. Kunie Okamoto is also expected to serve as a corporate auditor of the combined entity.

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.

In addition, six individuals from MTFG and one individual from UFJ Holdings are expected to serve as managing officers of the combined entity.

No Solicitation of Proxies, Consents or Authorizations (Page 61)

Shareholders may vote at the respective general meetings of shareholders of MTFG and UFJ Holdings either in person or by using the mail-in voting card distributed in accordance with the Commercial Code of Japan. Neither MTFG nor UFJ will solicit any separate form of proxy, consent or authorization. MTFG and UFJ Holdings have, however, retained Innisfree M&A Incorporated and Georgeson Shareholder Communications Inc. as their respective agents for the purpose of soliciting overseas shareholders approval of the merger.

Conditions to the Merger (Page 102)

The merger can only be completed if the terms of the merger agreement are approved by shareholders of MTFG and UFJ Holdings and certain other conditions are satisfied. Please see The Merger Conditions to the Merger for a complete discussion of these conditions. The integration agreement states that all of the merger agreements entered into separately between each of the respective group subsidiaries will be terminated if the merger agreement between MTFG and UFJ Holdings is not approved at the shareholders meetings of both holding companies. If a merger agreement relating to the mergers of the bank, trust bank or securities subsidiaries is not approved at the shareholders meetings of the relevant subsidiaries, however, only the relevant merger agreement will be terminated. MTFG and UFJ Holdings may terminate the integration agreement when either (a) the other holding company is in breach of its representations, warranties or obligations under such agreement, and such breach would have a material adverse effect on the breaching party or (b) any event having a material adverse effect on the other party occurs, and such breach or event is not cured or resolved within a specified period. The merger agreement states that if an event occurs that results in any material change to the financial or economic condition of MTFG or UFJ Holdings, or that materially interferes with the execution of the merger, MTFG and UFJ Holdings may amend the terms and conditions of the merger or terminate the merger agreement upon mutual agreement following consultation. Please see The Merger Description of Material Merger Terms for more information on the merger agreement s termination provisions.

The merger also needs to be approved by the Prime Minister of Japan before its effective date. MTFG will file an application for such approval through the Financial Services Agency once the merger agreement is approved at the relevant shareholders meetings. Furthermore, a filing needs to be made with the Fair Trade Commission of Japan at least 30 days prior to the effective date of the merger. Certain conditions of the merger may be modified, or the effective date of the merger may be postponed, by the above-mentioned authorities. The merger also requires the prior approval of the U.S. Board of Governors of the Federal Reserve System. Notice to, or the prior approval of, state bank regulatory authorities in certain states within the United States in which MTFG and UFJ Holdings have subsidiaries or branch offices also will be required. Depending upon the ways in which certain subsidiaries of MTFG and UFJ Holdings will be combined, transactions in connection with the merger may also require the prior approval of applicable bank regulatory authorities. The integration agreement and the merger agreement state that the merger agreement will be nullified if the required regulatory approvals for the merger are not obtained prior to the date of the merger, or if such approvals are obtained subject to any condition or restriction that may result in a material obstacle to achieving the purposes of the merger or the execution of the merger. Please see The Merger Conditions to the Merger for more information on regulatory approvals.

Table of Contents

Opposition Rights of Appraisal (Page 109)

Under the Commercial Code of Japan, you are entitled to opposition rights of appraisal in connection with the merger if you comply with the procedures set forth in the Commercial Code of Japan. In order to exercise this right, you must notify UFJ Holdings in writing of your intention to oppose the merger prior to UFJ Holdings general meeting of shareholders, and also vote against the approval of the merger agreement at the general meeting of shareholders. If you comply with the above and other procedures required by the Commercial Code of Japan, you may demand that UFJ Holdings purchase your shares at the fair value that your shares would have had if the resolution approving the merger agreement had not been passed. Please see The Merger Opposition Rights for a complete discussion of these rights.

Related Transactions (Page 111)

On September 17, 2004, MTFG purchased 3.5 billion Series 1 class E preferred shares of UFJ Bank for ¥700 billion. The class E preferred shares are non-voting shares but are entitled to approval rights in respect of certain material matters concerning UFJ Bank and are also convertible into voting class F preferred shares of UFJ Bank, subject to certain conditions. MTFG has a put option and UFJ Holdings a call option with respect to those shares, as summarized below:

- If the merger is not approved at any of the class shareholders meetings of UFJ Holdings, MTFG may convert all of its non-voting UFJ Bank class E preferred shares to voting class F preferred shares of UFJ Bank.
- If the merger is not approved at two consecutive meetings of any of the class shareholders meetings of UFJ Holdings, MTFG may sell its UFJ Bank class E preferred shares to UFJ Holdings at a price equal to the acquisition price.

Even if the merger is not approved at the class shareholders meetings as described above, MTFG may not convert or sell its class E preferred shares as stated above if the merger is also not approved at the general shareholders meeting of UFJ Holdings. Instead, MTFG may sell its class E preferred shares to UFJ Holdings at a price equal to 130% of its acquisition price if the merger is not approved at the June 2005 general shareholders meeting of UFJ Holdings and:

- a proposal of a business integration between MTFG and UFJ Holdings is not approved at a general shareholders meeting of UFJ Holdings to be held after October 1, 2005, or
- a proposal of a business integration between UFJ Holdings and a third party is approved at a general and class shareholders meeting of UFJ Holdings to be held after October 1, 2005.

In the above two cases, UFJ Holdings may also buy back the UFJ Bank class E preferred shares from MTFG at a price equal to 130% of the acquisition price.

Material Tax Consequences (Page 338)

Japanese Taxation

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 or loss 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. Please see Taxation Japanese Taxation for a more detailed description of Japanese taxation matters. Each non-Japanese holder should, however, obtain advice from its own tax advisers regarding its tax status in each jurisdiction.

Table of Contents

U.S. Taxation

The merger may qualify as a tax-free reorganization for U.S. federal income tax purposes. In order for this to be the case, it is necessary that the beneficial holders of the stock of UFJ Holdings at the time of the merger beneficially own stock in MTFG immediately after the merger that possesses 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. This determination cannot be made until after the closing date of the merger.

As set out in detail in Taxation U.S. Federal Income Tax Considerations, on the basis of a number of assumptions and information obtained following investigative steps, MTFG has determined that if the merger had taken place on March 31, 2005 on exactly the same terms as those proposed in this prospectus, the ownership test described above would have been satisfied on the basis of value. However, the accuracy and value of this determination is dependent on the accuracy and completeness of the assumptions and the information on which it was made. Some or all of these assumptions 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 does not mean that the ownership test would be satisfied immediately after the merger, when it actually takes places. 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. Therefore, it is possible that U.S. holders will recognize income or gain for U.S. tax purposes upon the exchange of their UFJ Holdings shares for MTFG shares or ADSs. Please see Taxation U.S. Federal Income Tax Considerations for a more detailed description of U.S. taxation matters.

Risk Factors (Page 16)

In determining whether to vote to approve the terms of the merger agreement, you should carefully consider the risk factors beginning on page 16 of this prospectus.

Accounting Treatment of the Merger (Page 110)

The merger will be accounted for under the purchase method of accounting in accordance with U.S. GAAP.

Trading Markets (Page 57)

Upon completion of the merger, shares of common stock of the combined entity are expected to be listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange in Japan and on the market for listed securities on the London Stock Exchange in the United Kingdom, and ADSs each representing one one-thousandth of a share of the combined entity s common stock will be listed on the NYSE.

13

Table of Contents

Summary Market Price Information (Page 58)

The following table sets forth the last reported sale prices on the Tokyo Stock Exchange for MTFG and UFJ Holdings common stock, and the implied equivalent value of UFJ Holdings common stock based upon the merger ratio, on February 18, 2005, the last trading day before public announcement of the proposed merger ratio, on April 20, 2005, the day the merger agreement was entered into, and on May 25, 2005.

	UFJ Holdings common stock (historical)	UFJ Holdings common stock (implied equivalent value)	MTFG common stock (historical)
February 18, 2005	¥ 579,000	¥ 597,060	¥ 963,000
April 20, 2005	554,000	564,200	910,000
May 25, 2005	550,000	560,480	904,000

Summary Financial Data (Pages 35, 38 and 55)

The table below sets forth historical and pro forma unaudited per share data of MTFG and historical and unaudited equivalent per share data of UFJ Holdings for net income, cash dividends and book value.

	For the fiscal year ended March 31, 2004			
	UFJ Holdings		MTFG	
	Historical(1)	Pro Forma Equivalent(2)	Historical(1)	Pro Forma
		(unaudited)		(unaudited)
Cash dividends per share(3)		¥ 2,480.00	¥ 4,000.00	¥ 4,000.00
Income from continuing operations per share:				
Basic	¥ 115,227.05	91,614.50	128,443.00	147,765.32
Diluted	86,803.31	81,455.73	125,123.73	131,380.21

	For the six months ended September 30, 2004			
	UFJ Holdings		MTFG	
	Historical(1)	Pro Forma Equivalent(2)	Historical(1)	Pro Forma
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net book value per share (as of the end of the period)	¥ 8,569.15	¥ 417,764.91	¥ 549,725.57	¥ 673,814.37
Cash dividends per share(3)		3,720.00	6,000.00	6,000.00
Income from continuing operations per share:				

Basic	42,527.48	21,842.08	19,850.94	35,229.16
Diluted	33,605.00	20,800.86	19,743.30	33,549.77

(1) Calculated using the weighted average number of shares outstanding for the period.

(2) Pro forma equivalent per share amounts were calculated by multiplying the pro forma income from continuing operations per share, pro forma net book value per share and pro forma cash dividends per share by the merger ratio, which is each share of common stock of UFJ Holdings to 0.62 shares of common stock of MTFG.

(3) Cash dividends per share reflect those paid during each of the periods indicated.

Table of Contents

Where to Find More Information (Page 348)

As required by the U.S. Securities Act of 1933, MTFG has filed a registration statement on Form F-4 relating to the securities offered by this prospectus with the U.S. Securities and Exchange Commission, or SEC. This prospectus is a part of that registration statement, which includes additional information.

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 and information statements, and other information regarding registrants that file electronically with the SEC (http://www.sec.gov).

As used in this prospectus, references to MTFG and UFJ Holdings are to Mitsubishi Tokyo Financial Group, Inc. and to UFJ Holdings, Inc., respectively, as well as to MTFG and UFJ Holdings and their respective consolidated subsidiaries, as the context requires. Unless the context otherwise requires, references in this prospectus to the financial results or business of the UFJ group refer to those of UFJ Holdings and its consolidated subsidiaries. Also, unless the context otherwise requires, references to the merger are to the proposed merger between MTFG and UFJ Holdings, the terms of which are set out in the integration agreement dated February 18, 2005 and as amended on April 20, 2005, and the merger agreement dated April 20, 2005 between MTFG and UFJ Holdings. Unless the context otherwise requires, references to the combined entity are to the combined business and operations of Mitsubishi UFJ Financial Group, Inc. and its consolidated subsidiaries following the completion of the merger.

As used in this prospectus, dollar or $ means the lawful currency of the United States of America, and Yen or ¥ means the lawful currency of Japan.

As used in this prospectus, U.S. GAAP means accounting principles generally accepted in the United States, and Japanese GAAP means accounting principles generally accepted in Japan. The consolidated financial information of MTFG and UFJ Holdings contained in this prospectus has been presented in accordance with U.S. GAAP, except for the risk-weighted capital ratios, the business segment financial information and some other specifically identified information, which are prepared in accordance with Japanese banking regulations or Japanese GAAP. Unless otherwise stated or the context otherwise requires, all amounts in the financial statements contained in this prospectus are expressed in Japanese yen.

Table of Contents

RISK FACTORS

Prior to making a decision on the merger, you should carefully consider, along with other matters set out in this prospectus, the following considerations:

Risks Relating to the Merger

The combined entity may have difficulty integrating the business and operations of MTFG and the UFJ group, which may have a material adverse effect on the combined entity s business, results of operations, financial condition and stock price.

The merger of MTFG and UFJ Holdings will be a complex, time-consuming and costly process. Risks to the successful completion of the merger include:

- potential disruptions of the combined entity s ongoing business and the distraction of its management;
- delays or other difficulties in integrating the domestic and overseas branch and subsidiary networks, head office functions, information and management systems, personnel and customer base of the two groups, which may prevent the combined entity from enhancing the convenience and efficiency of its branch and subsidiary network and operational systems as planned;
- impairment of relationships with customers, employees and strategic partners;
- additional credit-related expenses or losses that may be incurred as uniform accounting policies and policies for establishing allowances are applied to the asset and loan portfolio of the two groups;
- unanticipated asset-quality problems in UFJ Holdings asset portfolio that may cause significant losses on write-downs or require additional allowances to be established; and
- unanticipated expenses in connection with litigation related to the merger.

The combined entity may not succeed in addressing these risks or other problems encountered in connection with the merger. Significant or unexpected costs may be incurred during the integration process, preventing the combined entity from achieving the targeted cost reductions from the business integration. If the combined entity is unable to resolve smoothly the problems that arise in the integration process between MTFG and the UFJ group, its business, results of operations, financial condition and stock price may be materially and adversely affected.

The combined entity may have difficulty achieving the benefits expected from the merger, which may have a material adverse effect on the combined entity s business, results of operations and financial condition.

The combined entity s ability to realize the growth opportunities and other expected benefits of the merger will depend in part on the successful integration of the domestic and overseas branch and subsidiary network, head office functions, information and management systems, personnel and customer base and other resources and aspects of MTFG s and UFJ Holdings holding companies, banks, trust banks and securities companies. To realize the anticipated benefits of the merger, the combined entity must implement a business plan that will effectively combine two operations that are diverse in terms of their respective products, services, customer segments and geographic scope, as well as management systems. Achieving the targeted cost savings is dependent on the successful implementation of the integration plan. The combined entity expects to incur annual integration-related expenses in implementing the integration plan, and for the first two years after the merger, the integration-related expenses are expected to exceed the targeted cost savings. These integration-related expenses may continue to exceed cost savings beyond that period. The primary challenges involved in achieving the benefits of the merger include:

- retaining the existing customers and strategic partners of each company;
- integrating management, key employees and other personnel of both MTFG and the UFJ group;
- coordinating and consolidating the functions of the domestic and overseas branch offices of the combined entity and its subsidiaries;

- identifying and streamlining redundant operations and assets;
- combining customer products and services effectively and quickly;
- transitioning relevant operations and facilities smoothly to a common information technology system; and
- developing and implementing uniform accounting and reserve policies, internal controls, disclosure policies and procedures and other standards.

Estimates of targeted cost savings and other synergies in connection with the merger are inherently uncertain, and the combined entity may fail to achieve these targeted cost savings and other synergies.

MTFG and UFJ Holdings have announced that the combined entity will seek to realize cost savings through the merger, but that annual integration-related costs within the first two fiscal years after the merger are expected to exceed cost synergies during that period. In addition, MTFG and UFJ Holdings announced that the combined entity will report for the fiscal year ending March 31, 2006 a significant amount of extraordinary charges under Japanese GAAP, a majority of which are non-cash items. The combined entity s targeted cost-savings are based on a number of assumptions, including that the combined entity will be able to implement necessary cost-saving measures such as the consolidation of overlapping products, services, branch offices and head office functions. In addition, these cost-savings targets assume that the combined entity will be able to integrate the operations, systems and personnel of the two institutions efficiently. If the combined entity fails to achieve the targeted cost savings from the merger, its financial condition and results of operations could be materially and adversely affected.

Although the combined entity also expects revenue synergies to yield increases in gross revenue, a decrease in revenue is expected for the first one to two years following the merger due to adjustments in loan exposures to certain borrowers. Revenue synergies are dependent on the successful implementation of the combined entity s business strategy. If the revenue synergies do not materialize in the expected time period, the combined entity s financial condition and results of operations could be materially and adversely affected.

Significant costs will be incurred in the course of and as a result of the merger.

MTFG and UFJ Holdings expect to incur significant costs related to the merger. The combined entity will incur, for the first few years following the merger, significant expenses to close overlapping branches and subsidiaries and to integrate IT systems and other operations. Transaction-related expenses include financial advisory, legal and accounting fees and expenses, severance/employee benefit-related expenses, filing fees, printing expenses and other related charges. Additionally, MTFG and UFJ Holdings may also incur significant costs in compensating shareholders who exercise their opposition rights of appraisal, as well as creditors with creditor protection rights. Additional litigation-related costs may also be incurred as a result of the civil suit brought by Sumitomo Trust & Banking Co., Ltd. against UFJ Holdings in October 2004, or any other litigation that may arise in connection with the merger. MTFG and UFJ Holdings may also incur additional unanticipated expenses in connection with the merger and the integration of the operations, information systems, domestic and overseas branch office network and personnel of the two groups.

The merger ratio is fixed and will not be adjusted to reflect changes in the market values of MTFG and UFJ Holdings common stock; as a result, the value of MTFG common stock you receive in the merger may be less than when you vote on the merger.

Upon the completion of the merger, each share of UFJ Holdings common stock excluding those held by MTFG, if any, will be exchanged for 0.62 shares of MTFG common stock. The ratio at which UFJ Holdings common stock will be converted is fixed, and will not be adjusted for changes in the market prices of either company s common stock. Therefore, even if the relative market values of MTFG or UFJ Holdings common stock change, there will be no change in the number of shares of MTFG common stock you will receive in the

17

merger. Furthermore, neither company is permitted to terminate the merger or solicit another vote of its stockholders solely due to changes in the market prices of either company s common stock.

Any change in the prices of either company s common stock occurring prior to the effective date of the merger will affect the value that holders of UFJ Holdings common stock receive in the merger. The value of the MTFG common stock received in the merger (which will occur approximately three months after the shareholders meetings) may be higher or lower than the value as of the date of this prospectus and as of the date of UFJ Holdings general meeting of shareholders, depending on the then prevailing market prices of MTFG and UFJ Holdings common stock.

The share prices of MTFG and UFJ Holdings common stock are subject to the general price fluctuations in the market for publicly traded equity securities and have experienced significant volatility in the past. Stock price changes may result from a variety of factors, including actual changes in, or investor perception of, MTFG s and UFJ Holdings businesses, operations and prospects. Regulatory developments, including developments relating to the business improvement orders currently outstanding with respect to UFJ Holdings, as well as legal proceedings against UFJ Holdings relating to alleged evasion of inspections conducted by the Financial Services Agency of Japan and changes in general market and economic conditions may also affect the stock price of MTFG and UFJ Holdings. You should obtain and review recent market quotations for MTFG and UFJ Holdings common stock before voting on the merger.

The merger is subject to regulatory approvals and will be subject to various conditions set forth in the merger agreement and, even though the terms of the merger agreement may be approved by both sets of shareholders, the merger nonetheless may not be completed as scheduled or at all.

The merger agreement provides that the respective obligations of MTFG and UFJ Holdings to complete the merger are subject to a number of specified conditions, including the obtaining or satisfying of all regulatory approvals, permits, consents and requirements necessary for the consummation of the merger. Regulatory authorities in Japan or elsewhere may seek to block or delay the merger between the holding companies or the mergers between their key operating subsidiaries, or may impose conditions that reduce the anticipated benefits of the merger or make it difficult to complete as planned. In addition, MTFG and UFJ Holdings have the right to terminate the merger agreement at any time, upon the parties mutual written consent. Either party may also terminate the merger agreement if an event occurs that results in any material change to the financial or economic condition of MTFG or UFJ Holdings, or that materially interferes with the execution of the merger, upon mutual agreement following consultation. Even if the merger agreement is approved at the general meetings of shareholders of MTFG and UFJ Holdings, the merger may still not be completed as scheduled or at all.

The merger may be completed even though MTFG, UFJ Holdings or the combined entity may be materially and adversely affected by factors arising from the announcement of the merger, regulatory developments, industry-wide changes or other causes.

In general, under the terms of the integration agreement between MTFG and UFJ Holdings, the parties may terminate the integration agreement if material adverse changes affect MTFG or UFJ Holdings between the date of signing of the integration agreement and the end of June 2005. Under the terms of the merger agreement, the parties may terminate the merger agreement if an event occurs that results in any material change to the financial or economic condition of either party. However, MTFG and UFJ Holdings have agreed to consult each other before terminating the agreements, and the parties could decide to proceed with the merger despite any such event. Furthermore, the merger may be completed despite the occurrence of events such as a decrease in either company s stock price, failure by either company to meet or exceed research analysts or other estimates or projections, additional administrative action against UFJ Holdings from regulatory authorities or changes in the economic or business environment affecting banking institutions generally.

If MTFG and UFJ Holdings complete the merger despite the occurrence of a material adverse change or other events, the combined entity s business, market position, results of operations or financial condition may be adversely affected.

Table of Contents

The merger may be a taxable exchange for U.S. federal income tax purposes, and U.S. holders of UFJ Holdings common shares may recognize gain or loss on the exchanges of UFJ Holdings common shares for MTFG common shares.

The determination of whether the merger will qualify as a tax-free reorganization under Section 368(a)(1)(D) of the U.S. tax code is a factual one that cannot be made until the companies advisors examine share ownership records as of the effective date of the merger. If, immediately after the merger is completed, 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. In that case, U.S. holders of UFJ Holdings common shares will generally recognize gain or loss on the exchanges of UFJ Holdings shares for MTFG shares equal to the difference between (x) the fair market value of the MTFG common 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. See Taxation U.S. Federal Income Tax Considerations for a more detailed description of U.S. taxation matters.

Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the combined entity s financial results and the market value of its common stock following the merger.

In accordance with U.S. GAAP, the combined entity will account for the merger using the purchase method of accounting. The combined entity will allocate the total purchase price to its assets and liabilities based on the proportionate share of the fair values of those assets and liabilities. The combined entity will incur additional amortization expense over the estimated useful lives of certain of the identifiable intangible assets acquired in connection with the transaction. In addition, the excess of the purchase price over the fair values of UFJ Holdings assets and liabilities will be recorded as goodwill. If the recorded goodwill becomes impaired, the combined entity may be required to incur material charges relating to the impairment of goodwill. If the anticipated benefits of the merger are not achieved, the combined entity s financial results, including earnings per share, and the market value of the combined entity s common stock could be adversely affected.

Negative media coverage of the merger, as well as statements by parties with competing interests, could have a material adverse effect on the combined entity s reputation, business and results of operations.

The merger between MTFG and UFJ Holdings has been the subject of extensive coverage by both Japanese and foreign media, and of statements by parties with competing interests. Some of this coverage and these statements are negative and pertain to a wide range of matters relating to the merger. Negative media coverage and statements about the merger, regardless of their veracity, may affect investor sentiment and could have a material adverse effect on the stock price of the combined entity. The resulting reputational harm from such negative media coverage and statements relating to the merger may also impact consumer perception, negatively affecting the business and results of operations of the combined entity. The combined entity, as well as MTFG and UFJ Holdings, may also be forced to devote considerable resources to address the impact of such media coverage and statements relating to the merger.

MTFG, the UFJ group and the combined entity could be forced to sell some of their equity securities at price levels lower than they would otherwise sell at in order to remain in compliance with relevant Japanese laws.

Japanese banks generally are prohibited by the Banking Law and the Anti-Monopoly Law of Japan from purchasing or holding 5% or more of the equity interest in any domestic third party. In order to comply with this requirement, prior to or soon after the merger MTFG and the UFJ group may be required to sell some of their equity securities to the extent their combined holdings would exceed this 5% threshold after the merger. In order to remain compliant with the Banking Law and the Anti-Monopoly Law, MTFG, the UFJ group and the combined entity may sell some of their equity securities at price levels lower than they would otherwise sell at.

A successful legal challenge to the validity of the merger following its completion may invalidate the shares of MTFG issued in the merger.

Until six months after the effective date of the merger, a court action seeking to nullify the merger may be brought by any MTFG or UFJ Holdings shareholder, director, corporate auditor, liquidator, bankruptcy trustee or eligible creditor who disapproved the merger. The merger may be nullified by a court if a material procedural defect is found to have occurred in connection with the consummation of the merger. If any court action challenging the merger on this legal basis is brought, the price or liquidity of the combined entity s shares may be adversely affected, regardless of the merits of the claim. Moreover, in the event that the merger is nullified by a court, UFJ Holdings would be revived and all of the MTFG shares issued in the merger would thereafter become invalid. Previous shareholders of UFJ Holdings would once again become shareholders of the revived UFJ Holdings.

UFJ Holdings has not obtained updated fairness opinions from its financial advisors reflecting changes in circumstances and assumptions that may have occurred since the signing of the merger agreement.

UFJ Holdings has not obtained updated fairness opinions from its financial advisors, J.P. Morgan Securities Asia Pte. Limited and Merrill Lynch Japan Securities Co., Ltd., since April 20, 2005. The fairness opinions provided by these financial advisors do not speak of as of any date other than the date of those opinions and are subject to various assumptions and qualifications. Changes in the operations and prospects of MTFG and UFJ Holdings, general market and economic conditions and other factors which may be beyond the control of MTFG and UFJ Holdings, and on which the fairness opinions were based, may have altered the value of MTFG and UFJ Holdings, or the market price of MTFG and UFJ Holdings common stock as of the date of this prospectus, or may alter such values and prices by the time the merger is completed. You are encouraged to read the fairness opinions, which are included elsewhere in this prospectus, in their entirety.

The fairness opinions obtained by UFJ Holdings are based on financial information prepared under Japanese GAAP, and accordingly U.S. investors should not unduly rely on such fairness opinions.

The financial analysis and fairness opinions of UFJ Holdings financial advisors, J.P. Morgan Securities and Merrill Lynch, are based upon financial information of MTFG and UFJ Holdings prepared in accordance with Japanese GAAP. The accounting treatment of some items and transactions differ significantly between Japanese GAAP and U.S. GAAP. Additionally, while UFJ Holdings financial advisors have assumed that the merger will be accounted for as a pooling of interests for purposes of their financial analysis and fairness opinions, it will be accounted for under the purchase method of accounting under U.S. GAAP. The financial advisors have not reviewed any financial information prepared by MTFG or UFJ Holdings under U.S. GAAP and have not taken account of any differences between Japanese GAAP and U.S. GAAP. Accordingly, the financial analysis and fairness opinions of UFJ Holdings financial advisors may have limited utility to U.S. investors. U.S. investors should not unduly rely on the financial analysis and fairness opinions of UFJ Holdings financial advisors contained elsewhere in this prospectus.

Risks Relating to the Combined Entity s Business after the Merger

The combined entity may suffer additional losses in the future due to problem loans.

MTFG and the UFJ group have suffered from asset quality problems since the early 1990s. Despite recent progress by MTFG in reducing the level of its problem loans, UFJ Holdings continues to have a particularly concentrated exposure to large troubled borrowers and the combined entity will have a considerable amount of problem loans on its balance sheet at the time the merger is completed. A number of borrowers are still facing challenging circumstances, and the combined entity s problem loans and credit-related expenses could increase if:

- current restructuring plans of borrowers are not successfully implemented;
- additional large borrowers become insolvent or must be restructured;

20

Table of Contents

- economic conditions in Japan deteriorate;
- real estate prices in Japan continue to decline or stock prices in Japan decline;
- the rate of corporate bankruptcies in Japan or elsewhere in the world rises;
- additional economic problems arise elsewhere in the world; or
- the global economic environment deteriorates generally.

An increase in problem loans and credit-related expenses would adversely affect the combined entity s results of operations, weaken its financial condition and erode its capital base. Credit losses may increase if the combined entity elects, or is forced by economic or other considerations, to sell or write off its problem loans at a larger discount, in a larger amount or in a different time or manner than it may otherwise want.

The combined entity s allowance for credit losses may be insufficient to cover future loan losses.

MTFG s and UFJ Holdings allowance for credit losses in their loan portfolios are based on evaluations, assumptions and estimates about their customers, the value of collateral MTFG and UFJ Holdings hold and the economy as a whole. The combined entity s loan losses could prove to be materially different from the estimates and could materially exceed the allowances. If the combined entity s actual loan losses are higher than currently expected, the current allowances for credit losses will be insufficient. The combined entity may incur credit losses or have to provide for additional allowance for credit losses if :

- economic conditions, either generally or in particular industries in which large borrowers operate, deteriorate;
- the standards for establishing allowances change, causing the combined entity to change some of the evaluations, assumptions and estimates used in determining the allowances;
- the value of collateral the combined entity holds declines; or
- the combined entity is adversely affected by other factors to an extent that is worse than anticipated.

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

MTFG and UFJ Holdings have large exposures to some borrowers in the Japanese real estate, construction, trading, wholesale and retail, and automotive sectors, and are thus exposed to the ongoing financial difficulties faced by some borrowers operating in those sectors. Some of the companies in these sectors to which MTFG or UFJ Holdings has extended credit are exposed to ongoing financial difficulties and they may be in restructuring negotiations or considering whether to seek bankruptcy protection. If these companies are unsuccessful in their restructuring efforts due to continuing financial and operational difficulties or other factors, are otherwise forced to seek bankruptcy protection, or if other lenders discontinue or decrease their financial support to these companies for any reason, there may be further significant deterioration in the credit quality of the combined entity s loan portfolio, which would expose it to further loan losses.

The combined entity s exposure to troubled borrowers may increase, and its recoveries from these borrowers may be lower than expected.

The combined entity may provide additional loans, equity capital or other forms of support to troubled borrowers in order to facilitate their restructuring and revitalization efforts. The combined entity may forbear from exercising some or all of its rights as a creditor against them, and it may forgive loans to them in conjunction with their debt restructuring. The combined entity may take these steps even when its legal rights might permit it to take stronger action against the borrower and even when others might take stronger action

Table of Contents

against the borrower to maximize recovery or to reduce exposure in the short term. The combined entity may provide support to troubled borrowers for various reasons, including any of the following reasons arising from Japan s business environment and customs:

- political or regulatory considerations;
- reluctance to push a major client into default or bankruptcy or to disrupt a restructuring plan supported by other lenders; and
- a perceived responsibility for the obligations of the combined entity s affiliated and associated companies, as well as companies with which MTFG or UFJ Holdings have historical links or other long-standing relationships.

These practices may substantially increase the combined entity s exposure to troubled borrowers and increase its losses.

The combined entity may experience losses because its remedies for credit defaults by its borrowers are limited.

The combined entity may not be able to realize the value of the collateral it holds or enforce its rights against defaulting customers because of:

- the difficulty of foreclosing on collateral in Japan;
- the illiquidity of and depressed values in the Japanese real estate market; and
- the depressed values of pledged securities held as collateral.

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

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

- MTFG and UFJ Holdings have extended loans, some of which are classified as nonaccrual and restructured loans, to banks and other financial institutions that will not be consolidated subsidiaries of the combined entity;
- MTFG and UFJ Holdings are shareholders of some other banks and financial institutions that will not be consolidated subsidiaries of the combined entity;

- MTFG and UFJ Holdings may be requested to participate in providing assistance to support distressed financial institutions that will not be consolidated subsidiaries of the combined entity;

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

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

Table of Contents

- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate;
- repeated or large scale bankruptcies or government support or control of financial institutions could generally undermine depositor confidence or adversely affect the overall banking environment; and
- negative media coverage of the Japanese banking industry, regardless of its accuracy and applicability to the combined entity, could affect investor sentiment and have a materially adverse effect on the combined entity s stock price.

The combined entity may experience difficulties implementing effective internal controls.

In order to operate a global financial institution, it is essential for the combined entity to have effective internal controls, corporate compliance functions, and accounting systems to manage its assets and operations. Moreover, under the U.S. Sarbanes-Oxley Act of 2002, which will apply by reason of the combined entity s status as an SEC reporting company, the combined entity will be required to establish internal control over its financial reporting and its management will be required to assess the effectiveness of the combined entity s internal control over financial reporting and disclose whether such internal control is effective. The combined entity s auditors must also conduct an audit to evaluate management s assessment of the effectiveness of the internal control over financial reporting, and then render an opinion on the combined entity s assessment and the effectiveness of its internal control over financial reporting.

Designing and implementing an effective system of internal controls capable of monitoring and managing the combined entity s business and operations represents a significant challenge for the combined entity. Particularly, UFJ Holdings has previously admitted, in response to administrative action from the Financial Services Agency, to failures in internal controls that led to inappropriate responses to Financial Services Agency inspections of UFJ Bank s large borrower classifications, errors in the management of loans to small- and medium-sized borrowers and deficiencies in its system for monitoring and managing credit risk. The internal control framework to be implemented by the combined entity will need to have the ability to identify and prevent similar occurrences on a group-wide basis. The design and implementation of internal controls may require significant management and human resources, and result in considerable costs. In addition, as a result of unanticipated issues arising after the merger, the combined entity may need to take a permitted scope limitation on its assessment of internal control over financial reporting, may report material weaknesses in its internal control over financial reporting or may be unable to assert that its internal control over financial reporting is effective. If such circumstances arise, it could adversely affect the market perception of the combined entity.

The combined entity may be adversely affected if economic conditions in Japan worsen.

Since the early 1990s, the Japanese economy has performed poorly due to a number of factors, including weak consumer spending and lower capital investment by Japanese companies, causing a large number of corporate bankruptcies and the failure of several major financial institutions. Although some economic indicators and stock prices have recently improved, if the economy weakens, then the combined entity s earnings and credit quality may be adversely affected.

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

MTFG and UFJ Holdings hold a significant amount of Japanese government bonds and foreign bonds, including U.S. Treasury bonds. An increase in relevant interest rates, particularly if such increase is unexpected or sudden, may negatively affect the value of the combined entity s bond portfolio and reduce the so called spread, which is the difference between the rate of interest earned and the rate of interest paid. In addition, an increase in relevant interest rates may increase the combined entity s problem loans as some of its borrowers may not be able to meet the increased interest payment requirements, thereby adversely affecting its results of operations and financial condition.

Table of Contents

Corporate credibility issues among its borrowers could increase the combined entity s problem loans or otherwise negatively affect its results of operations.

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

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

The combined entity, as a holding company, and its Japanese subsidiary banks, which will consist of a bank formed through the combination of Bank of Tokyo-Mitsubishi and UFJ Bank as well as a trust bank formed through the combination of Mitsubishi Trust Bank and UFJ Trust Bank Limited, will be required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Financial Services Agency. The capital ratios will be calculated in accordance with Japanese banking regulations based on information derived from the relevant entity s financial statements prepared in accordance with Japanese GAAP. The combined entity s subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A., referred to collectively as UNBC, are subject to similar U.S. capital adequacy guidelines. The combined entity or its subsidiary banks may be unable to continue to satisfy the capital adequacy requirements because of:

- credit costs the combined entity or its subsidiary banks may incur as it disposes of problem loans and removes impaired assets from its balance sheet;
- credit costs the combined entity or its subsidiary banks may incur due to losses from a future deterioration in asset quality;
- a reduction in the value of the combined entity s or its subsidiary banks deferred tax assets;
- changes in accounting rules or in the guidelines regarding the calculation of bank holding companies or banks capital ratios;
- declines in the value of securities portfolio of the combined entity or its subsidiary banks;
- the inability of the combined entity or its subsidiary banks to refinance their subordinated debt obligations with equally subordinated debt;
- adverse changes in foreign currency exchange rates; and
- other adverse developments discussed in these risk factors.

If the combined entity s capital ratios fall below required levels, the Financial Services Agency could require the combined entity to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of its business operations.

Table of Contents

The combined entity s capital ratios may also be negatively affected by contemplated or recently adopted regulatory changes.

Several proposed regulatory changes could have an adverse impact on the combined entity s capital ratios. In particular, the Financial System Council of the Financial Services Agency is discussing the adoption of rules that limit the amount of deferred tax assets that may be included in the calculation of Tier I or total regulatory capital. The imposition of any such limits would likely reduce the combined entity s regulatory capital, perhaps materially. As of September 30, 2004,

- MTFG s net deferred tax assets amounted to ¥653 billion under Japanese GAAP, or approximately 16.2% of the amount of its Tier I capital of ¥4,025 billion calculated in accordance with Japanese GAAP as required by the Financial Services Agency, and

- UFJ Holdings net deferred tax assets amounted to ¥1,205 billion under Japanese GAAP, or approximately 54.6% of the amount of its Tier I capital of ¥2,203 billion calculated in accordance with Japanese GAAP as required by the Financial Services Agency.

In addition, effective March 31, 2003, the Financial Services Agency strongly suggested that major banks calculate loan loss reserves for certain impaired loans by analyzing the projected cash flows from those loan assets, discounted to present value, instead of basing reserves on historical loan loss data. MTFG and UFJ Holdings employ a methodology to calculate loan loss reserves for these credits based on their estimated cash flows. However, if in the future the Financial Services Agency adopts a calculation methodology that is different from the methodology employed by MTFG and UFJ Holdings, the size of the combined entity s allowance for loan losses under Japanese GAAP could increase. Because capital ratios are calculated under Japanese GAAP, this change may materially reduce the combined entity s capital ratios. Further regulatory changes are expected based on the new framework relating to regulatory capital requirements that were established by the Basel Committee on Banking Supervision and endorsed by the central bank governors and the heads of bank supervisory authorities of the Group of Ten (G10) countries in June 2004.

The combined entity may fail to meet the operating targets in the restructuring plan it will submit to the Financial Services Agency, which could subject it to administrative actions, the replacement of senior management, the conversion of preferred shares held by the Resolution and Collection Corporation and other adverse actions.

UFJ Holdings is a recipient of public funds from the Resolution and Collection Corporation, a Japanese government entity. The public funds were injected in the form of a preferred stock investment, and this preferred stock will be exchanged as part of the merger for newly issued preferred stock of the surviving entity. As a result, the combined entity will be required to prepare and submit a restructuring plan to the Financial Services Agency, and to periodically update such restructuring plan. Material failure to achieve the operating targets outlined in the restructuring plan could result in the following:

- the combined entity or its affiliates may be subject to administrative action from the Financial Services Agency;

- the Financial Services Agency may take steps to replace senior management of the combined entity or its bank subsidiaries; or

- the Resolution and Collection Corporation may convert its holdings of the combined entity s preferred stock into common stock, which may make the Japanese government the combined entity s largest shareholder.

In addition, the Financial Services Agency, the Resolution and Collection Corporation or other governmental agencies could take other actions, as a regulator or shareholder, that are designed to protect the interests of depositors or the Japanese government s investment but may be materially adverse to the interests of other investors in the combined entity.

Table of Contents

The Japanese government could become a significant shareholder in the combined entity.

After the merger, the Resolution and Collection Corporation will hold preferred shares that do not have voting rights but are convertible into 12.6% of the combined entity s common shares. If the preferred shares are converted into common shares, the Japanese government could hold a substantial interest in the combined entity. On April 4, 2003, the Financial Services Agency issued guidelines concerning when the Japanese government may convert the preferred shares of banks or bank holding companies that it owns into common shares. Among the conditions under which the Japanese government may convert its preferred shares under those guidelines is the non-payment of dividends on those preferred shares for two consecutive fiscal years, or non-payment for one fiscal year and only a partial payment of preferred dividends for the second fiscal year. UFJ Holdings has announced it will not pay preferred dividends for the fiscal year ended March 31, 2005. If the combined entity is unable to pay the necessary amount of dividends on its preferred shares for any reason, the Japanese government could elect to convert the preferred shares it holds into common shares. This could result in significant reputational harm and significant changes to the combined entity s strategic goals and operations.

Administrative sanctions by the Financial Services Agency against the UFJ group could have a materially adverse effect on the combined entity s reputation, business, results of operations and stock price.

In June 2004, the Financial Services Agency levied business improvement administrative actions against the UFJ group after concluding that members of the UFJ s group s management had taken actions that amounted to evasions of inspections conducted by the Financial Services Agency on the classification of large borrowers. The causes of these sanctions led to the resignation of the top management of UFJ Holdings, UFJ Bank and UFJ Trust Bank. The Financial Services Agency s administrative order also directed the UFJ group to address serious deficiencies in its internal control framework. Subsequently, in October 2004, the Financial Services Agency filed criminal indictments against UFJ Bank and former members of its management. In conjunction with these indictments, the Tokyo District Public Prosecutors Office announced in December 2004 that they would seek to prosecute UFJ Bank, its former executive officers and a former employee on suspicion of violations of the Banking Law of Japan. In February 2005, three former executives of UFJ Bank pleaded guilty to obstructing the Financial Services Agency s inspections in violation of the Banking Law. On April 25, 2005, UFJ Bank and its former executives were convicted of breaches of the Banking Law. UFJ Bank was fined ¥90 million, a former executive officer was sentenced to ten months imprisonment with a stay of execution for three years and two other former executive officers were sentenced to eight months imprisonment with a stay of execution for three years. These administrative sanctions and criminal proceedings may affect investor sentiment and could have a material adverse effect on the stock price of the combined entity. The resulting reputational harm from these events may also adversely impact consumer perception or relationships with both existing and potential business partners, negatively affecting the business and operations of the combined entity.

The combined entity s results of operations and capital ratios will be negatively affected if it is required to reduce its deferred tax assets.

MTFG, UFJ Holdings and their Japanese subsidiary banks determine the amount of their net deferred tax assets and regulatory capital pursuant to Japanese GAAP and Japanese banking regulations, which differ from U.S. GAAP and U.S. regulations. Under current Japanese banking regulations, all deferred tax assets established pursuant to Japanese GAAP are included in regulatory capital. Currently, Japanese GAAP generally permits the establishment of deferred tax assets for tax benefits that are expected to be realized during a period that is reasonably foreseeable, generally five fiscal years. The calculation of deferred tax assets under Japanese GAAP is based upon various assumptions, including assumptions with respect to future taxable income. Actual results may differ significantly from these assumptions. Even if the combined entity s ability to include deferred tax assets in regulatory capital is not affected by rule changes (see The combined entity s capital ratios may also be negatively affected by contemplated or recently adopted regulatory changes above), if the combined entity concludes, based on its projections of future taxable income, that it or its Japanese bank subsidiaries will be unable to realize a portion of the deferred tax assets, the combined entity s deferred tax assets may be reduced and, as a result, the combined entity s results of operations may be negatively affected and its capital ratios may decline. The calculation of deferred tax assets under U.S. GAAP requires consideration of different factors.

26

Table of Contents

The combined entity may not be able to refinance its subordinated debt obligations with equally subordinated debt, and as a result its capital ratios may be adversely affected.

As of September 30, 2004, subordinated debt accounted for approximately

- 33.6% of MTFG s total regulatory capital,
- 31.8% of Bank of Tokyo-Mitsubishi s total regulatory capital,
- 43.3% of Mitsubishi Trust Bank s total regulatory capital,
- 37.7% of UFJ Holdings total regulatory capital,
- 38.6% of UFJ Bank s total regulatory capital, and
- 37.5% of UFJ Trust Bank s total regulatory capital,

in each case, as calculated under Japanese GAAP. The combined entity or its subsidiary banks may not be able to refinance their subordinated debt obligations with equally subordinated debt after the merger. The failure to refinance these subordinated debt obligations with equally subordinated debt may reduce their total regulatory capital and, as a result, negatively affect their capital ratios.

If the Japanese stock market declines, the combined entity may incur losses on its securities portfolio and its capital ratios will be adversely affected.

MTFG and UFJ Holdings hold large amounts of marketable equity securities. The market values of these securities are inherently volatile. The Nikkei 225 stock average declined to a 20-year low in April 2003 before recovering during the fiscal year ended March 31, 2004. The Nikkei 225 stock average remained relatively unchanged during the fiscal year ended March 31, 2005. As of May 25, 2005, the Nikkei 225 stock average was ¥11,014.43. The combined entity will incur losses on its securities portfolio if the Japanese stock market declines in the future. Material declines in the Japanese stock market may also materially adversely affect the combined entity s capital ratios.

The combined entity s efforts to reduce its shareholdings of equity securities may adversely affect its relationships with customers as well as its stock price.

Like many Japanese financial institutions, a substantial portion of MTFG s and UFJ Holdings equity securities portfolio is held for strategic and business-relationship purposes. In November 2001, the Japanese government enacted a law forbidding bank holding companies and banks, including MTFG and UFJ Holdings and their respective bank subsidiaries, from holding, after September 30, 2006, stock with an aggregate value that exceeds their adjusted Tier I capital. The sales of equity securities, whether to remain compliant with this prohibition on holding stock in excess of its adjusted Tier I capital, to reduce the combined entity s risk exposure to fluctuations in equity security prices, to comply with the requirements of the Banking Law and the Anti-Monopoly Law or otherwise, will reduce the combined entity s strategic shareholdings, which may have an adverse effect on relationships with its customers. In addition, the combined entity s plans to reduce its strategic shareholdings may encourage some of its customers to sell their shares of the combined entity s common stock, which may have a negative impact on its stock price.

The combined entity s trading and investment activities will expose it to interest rate, exchange rate and other risks.

MTFG and UFJ Holdings undertake extensive trading and investment activities involving a variety of financial instruments, including derivatives. The combined entity s income from these activities will be subject to volatility caused by, among other things, changes in interest rates, foreign currency exchange rates and equity and debt prices. For example:

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

27

Table of Contents

- the strengthening of the yen against the U.S. dollar and other foreign currencies will reduce the value, in the combined entity s financial statements, of its substantial portfolio of foreign currency denominated investments.

In addition, downgrades of the credit ratings of some of the fixed income securities in the combined entity s portfolio could negatively affect its results of operations. The combined entity s results of operations and financial condition in future periods will be exposed to the risks of loss associated with these activities.

A downgrade of the combined entity s credit ratings could have a negative effect on its business.

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

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

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

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

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

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

The combined entity may not be able to achieve the goals of its business strategies.

The combined entity currently plans to pursue various business strategies to improve its profitability. In addition to the risk associated with combining the two groups, there are various other risks that could adversely impact the ability of the combined entity to achieve its business objectives. For example:

- the combined entity may be unable to cross-sell its products and services as effectively as anticipated;

- the combined entity may be unable to integrate the personnel of the two groups or its plan to reassign personnel may be unsuccessful;
- the combined entity may have difficulty in coordinating the operations of its subsidiaries and affiliates as planned due to legal restrictions, internal conflict or market resistance;
- the combined entity may lose customers and business as it integrates and, in some cases, rebrands some of its subsidiaries or affiliates operations;
- the combined entity s efforts to streamline operations may require more time than expected and cause some negative reactions from its customers;
- new products and services introduced by the combined entity may not gain acceptance among customers; and
- the combined entity may have difficulty integrating the information systems within its group.

Table of Contents

The combined entity will be exposed to increased risks as it expands the range of its products and services.

As the combined entity expands the range of its products and services beyond its traditional banking and trust businesses and as the sophistication of financial products and management systems grows, it will be exposed to new and increasingly complex risks. The combined entity may have only limited experience with the risks related to the expanded range of these products and services. To the extent the combined entity expands its product and service offerings through acquisitions, it faces risks relating to the integration of acquired businesses with its existing operations. Moreover, some of the activities that the combined entity s subsidiaries are expected to engage in, such as derivatives and foreign currency trading, present substantial risks. The combined entity s risk management systems may prove to be inadequate and may not work in all cases or to the degree required. As a result, the combined entity may be subject to substantial market, credit and other risks in relation to the expanding scope of its products, services and trading activities, which could result in the combined entity incurring substantial losses. In addition, the combined entity s efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures.

Any adverse changes in UNBC s business could significantly affect the combined entity s results of operations.

UNBC is expected to contribute a significant portion of the combined entity s net income. Any adverse change in the business or operations of UNBC could significantly affect the combined entity s results of operations. Factors that could negatively affect UNBC s results include adverse economic conditions in California, including the decline in the technology sector, the California state government s financial condition, a potential downturn in the real estate and housing industries in California, substantial competition in the California banking market, growing uncertainty over the U.S. economy due to the threat of terrorist attacks, fluctuating oil prices and rising interest rates, negative trends in debt ratings and equity valuations of various borrowers increasing the risk of corporate bankruptcy filings, and additional costs which may arise from enterprise-wide compliance with applicable laws and regulations such as the Bank Secrecy Act and related amendments under the U.S. Patriot Act.

The combined entity will be exposed to substantial credit and market risks in Asia, Latin America and other regions.

The combined entity will be active in Asia, Latin America and other regions through a network of branches and subsidiaries and will thus be exposed to a variety of credit and market risks associated with countries in these regions. A decline in the value of Asian, Latin American or other relevant currencies could adversely affect the creditworthiness of some of the combined entity s borrowers in those regions. For example, the loans MTFG and the UFJ group have made to Asian, Latin American and other overseas borrowers and banks are often denominated in yen, U.S. dollars or other foreign currencies. These borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to the combined entity and other foreign lenders. In addition, some countries in which the combined entity will operate may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to the combined entity and other foreign lenders. The limited credit availability resulting from these and related conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries and cause the combined entity to incur further losses. In addition, the combined entity will be active in other regions that expose it to risks similar to the risks described above and also risks specific to those regions, which may cause the combined entity to incur losses or suffer other adverse effects.

Table of Contents

The combined entity s income and expenses relating to its international operations, as well as its foreign assets and liabilities, will be exposed to foreign currency fluctuations.

The combined entity s international operations will be subject to fluctuations in foreign currency exchange rates against the Japanese yen. When the yen appreciates, yen amounts for transactions denominated in foreign currencies, including a substantial portion of UNBC s transactions, decline. In addition, a portion of the combined entity s assets and liabilities will be denominated in foreign currencies. To the extent that the combined entity s foreign currency denominated assets and liabilities are not matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against the yen may adversely affect the combined entity s financial condition, including its capital ratios. In addition, fluctuations in foreign exchange rates will create foreign currency translation gains or losses.

Losses relating to the combined entity s pension plans and a decline in returns on its plan assets may negatively affect the combined entity s results of operations and financial condition.

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

The combined entity may have to compensate for losses in its loan trusts and jointly operated designated money in trusts. This could have a negative effect on the combined entity s results of operations.

The combined entity s trust bank subsidiary may have to compensate for losses of principal of all loan trusts and some jointly operated designated money in trusts. Funds in those guaranteed trusts are generally invested in loans and securities. The combined entity s trust bank subsidiary will be required to maintain reserves in the accounts of those guaranteed trusts for loan losses and other impairments of principal, but the amount of these compensation obligations would not appear as a liability on the combined entity s balance sheet. If the amount of assets and reserves held in the guaranteed trusts falls below the principal as a result of loan losses, losses in the investment portfolio or otherwise, which are not absorbed by the profit earned by the trusts, the combined entity s trust bank subsidiary would be required to make a payment on the guaranties.

Trust beneficiaries of loan trusts and jointly operated designated money in trust are entitled to a semi-annual dividend, which in practice is the projected rate published semi-annually. Sharp declines in interest rates or in the value of the securities held in its trusts investment portfolios will partly reduce performance-dependent trust fees that the combined entity s trust bank subsidiary will generate from its loan trusts and jointly operated designated money in trust, thereby adversely affecting the combined entity s results of operations.

The combined entity s business and operations will be exposed to various system, political and social risks beyond its control.

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

Table of Contents

The combined entity may be subject to liability and regulatory action if it is unable to protect personal and other confidential information.

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

Adverse regulatory developments or changes in laws, government policies or economic controls could have a negative impact on the combined entity s business and results of operations.

The combined entity conducts its business subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other markets in which the combined entity operates. Future developments or changes in laws, regulations, policies, voluntary codes of practice, fiscal or other policies and their effects are unpredictable and beyond its control. In particular, the Financial Services Agency has announced various regulatory changes that it would consider. For example, in December 2004, the Financial Services Agency launched an initiative designed to identify additional subjects for future financial reforms to be enacted over the next two years relating to various financial issues, including, among other things, the possible enactment of an investment services law, which aims to provide an overall regulatory regime applicable to financial institutions and financial products and the improvement of corporate governance and risk management of financial institutions. The Financial Services Agency and other regulatory authorities also have the authority to conduct, at any time, inspections to review banks accounts, including those of the combined entity s bank subsidiaries. Any of the changes referred to above or any action that must be taken by the combined entity, whether as a result of regulatory developments or changes or inspections, could negatively affect its business and results of operations.

The combined entity s business may be adversely affected by competitive pressures, which have increased significantly due to regulatory changes.

In recent years, the Japanese financial system has been increasingly deregulated and barriers to competition have been reduced. In addition, the Japanese financial industry has been undergoing significant consolidation, as a result of which larger and more integrated financial institutions have emerged as competitors. If the combined entity is unable to compete effectively in this more competitive and deregulated business environment, its business, results of operations and financial condition will be adversely affected.

Restrictions on the combined entity s subsidiaries ability to pay dividends and make other distributions could limit amounts payable by the combined entity.

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

Table of Contents

Risks Related to Owning the Combined Entity s Shares

Efforts by other companies to reduce their shareholdings in the combined entity may adversely affect its stock price.

Many companies in Japan that hold MTFG and UFJ Holdings shares have announced plans to reduce their shareholdings in other companies. Any future plans of the combined entity to sell shares in other companies may further encourage those companies and other companies to sell the combined entity s shares. If an increased number of shares of the combined entity s common stock are sold in the market, it will adversely affect the trading price of shares of the combined entity s common stock.

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

The combined entity s articles of incorporation, the regulations of its board of directors and the Japanese Commercial Code will govern the combined entity s corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors and officers fiduciary duties and shareholders rights will be different from those that would apply if the combined entity were not a Japanese corporation. Shareholders rights under Japanese law are different in some respects from shareholders rights under the laws of jurisdictions within the United States and other countries. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction outside of Japan.

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

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

Risks Related to Owning the Combined Entity s ADSs

If you choose to hold ADSs, you will have fewer rights than a shareholder and you must act through the depositary to exercise these rights.

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

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

Market prices for the combined entity s ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of the combined entity s ADSs would be reduced if the value of the yen declines against the U.S. dollar.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

MTFG may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the SEC including this prospectus as well as an annual report on Form 20-F and other reports to shareholders and other communications.

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

Forward-looking statements appear in a number of places in this prospectus and include statements regarding MTFG s and UFJ Holdings intent, belief or current expectations or the current belief or current expectations of MTFG s and UFJ Holdings management with respect to, among others:

- financial condition;
- results of operations;
- business plans and other management objectives;
- business strategies, competitive positions and growth opportunities;
- the consummation and benefits of the proposed merger and realization of financial and operating synergies and efficiencies, including estimated cost savings and revenue enhancement;
- the financial and regulatory environment in which MTFG and UFJ Holdings operate;
- the problem loan levels and loan losses of MTFG, UFJ Holdings and the combined entity; and
- the equity and foreign exchange markets.

In many, but not all cases, MTFG uses words such as anticipate, aim, believe, estimate, expect, intend, plan, probability, risk and expressions, as they relate to MTFG or UFJ Holdings or MTFG s or UFJ Holdings management, to identify forward-looking statements. These statements reflect MTFG s or UFJ Holdings current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are anticipated, believed, estimated, expected, intended or planned.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. Important factors that could cause actual results to differ materially from estimates or forecasts contained in the forward-looking statements include, among others:

- the ability to integrate MTFG s and UFJ Holdings businesses, product lines and branch offices in a manner that achieves the expected results;
- timing, impact and other uncertainties associated with MTFG s other or future acquisitions or combinations within relevant industries and the integration of these other future acquisitions;
- requirements imposed by regulatory authorities to permit the transactions contemplated hereby to be consummated;
- changes in the monetary and interest rate policies of the Bank of Japan and other G-7 central banks;
- fluctuations in interest rates, equity prices and foreign currencies, the adequacy of loan loss reserves, the inability to hedge certain risks economically, changes in consumer spending and other habits, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which MTFG and UFJ Holdings and their respective affiliates operate;

Table of Contents

- risks of international business;
- regulatory risks;
- contingent liabilities;
- competitive factors in the industries in which MTFG and UFJ Holdings compete, and the impact of competitive services and pricing in both MTFG and UFJ Holdings markets;
- risks associated with debt service requirements and interest rate fluctuations;
- degree of financial leverage; and
- other risks referenced from time to time in MTFG s filings with the SEC.

MTFG does not intend to update these forward-looking statements. MTFG is under no obligation, and disclaim any obligation, to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA OF MTFG

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

Selected statement of operations data for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004 and selected balance sheet data as of March 31, 2000, 2001, 2002, 2003 and 2004 set forth below have been derived from MTFG s audited consolidated financial statements. The selected consolidated financial data for MTFG and its consolidated subsidiaries at and for the six months ended September 30, 2003 and 2004 have been derived from, and should be read in conjunction with, the unaudited consolidated financial statements of MTFG included elsewhere in this prospectus, which management believes include all adjustments necessary for a fair presentation of the results of operations and financial condition for those periods. The results of operations for the six-month period are not necessarily indicative of the results for a full year s operations.

Except for risk-adjusted capital ratios, which are calculated in accordance with Japanese banking regulations based on information derived from MTFG s financial statements prepared in accordance with Japanese GAAP, and the average balance information, the selected financial data set forth below are derived from MTFG s financial statements prepared in accordance with U.S. GAAP.

You should read the selected financial data set forth below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of MTFG and MTFG s consolidated financial statements and other financial data included elsewhere in this prospectus. The following data are qualified in their entirety by reference to all of that information.

	Fiscal year ended March 31,					Six months ended September 30,	
	2000	2001	2002	2003	2004	2003	2004
	(in millions, except per share data and number of shares)						
Statement of operations data:							
Interest income	¥ 2,160,017	¥ 2,278,168	¥ 2,013,571	¥ 1,582,493	¥ 1,421,754	¥ 744,894	¥ 695,542
Interest expense	1,084,134	1,309,454	938,274	539,270	426,514	226,482	215,616
Net interest income	1,075,883	968,714	1,075,297	1,043,223	995,240	518,412	479,926
Provision (credit) for credit losses	355,724	783,855	598,412	437,972	(114,109)	(129,602)	167,059
Net interest income after provision (credit) for credit losses	720,159	184,859	476,885	605,251	1,109,349	648,014	312,867
Non-interest income	378,929	853,492	359,696	840,634	1,308,095	713,278	427,361
Non-interest expense	1,079,786	1,021,708	1,161,294	1,182,406	1,236,040	581,980	538,417
Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle	19,302	16,643	(324,713)	263,479	1,181,404	779,312	201,811
Income tax expense (benefit)	63,658	47,594	(99,729)	69,872	357,817	255,379	69,446

Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(44,356)	(30,951)	(224,984)	193,607	823,587	523,933	132,365
Income (loss) from discontinued operations-net	(2,873)	(27,084)	1,235	10,370	(585)	5,276	
Cumulative effect of a change in accounting principle, net of tax[1]			5,867	(532)			(977)
Net income (loss)	¥ (47,229)	¥ (58,035)	¥ (217,882)	¥ 203,445	¥ 823,002	¥ 529,209	¥ 131,388
Net income (loss) available to common shareholders	¥ (52,693)	¥ (66,371)	¥ (222,050)	¥ 190,941	¥ 815,021	¥ 525,041	¥ 127,909

35

Table of Contents

	Fiscal year ended March 31,					Six months ended September 30,	
	2000	2001	2002	2003	2004	2003	2004
	(in millions, except per share data and number of shares)						
Amounts per share[2]:							
Basic earnings (loss) per common share-income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	¥ (9,083.09)	¥ (7,143.20)	¥ (41,255.15)	¥ 32,240.37	¥ 128,443.00	¥ 83,039.35	¥ 19,850.94
Basic earnings (loss) per common share-net income (loss) available to common shareholders	(9,606.89)	(12,067.64)	(39,976.55)	33,991.75	128,350.88	83,882.26	19,700.46
Diluted earnings (loss) per common share-income (loss) from continuing operations available to common shareholders before cumulative effect of a change in accounting principle	(9,083.09)	(7,143.20)	(41,255.15)	29,486.78	125,123.73	79,757.80	19,743.30
Diluted earnings (loss) per common share-net income (loss) available to common shareholders	(9,606.89)	(12,067.64)	(39,976.55)	31,164.84	125,033.96	80,567.44	19,593.10
Number of shares used to calculate basic earnings per common share (in thousands)	5,485	5,500	5,555	5,617	6,350	6,259	6,493
Number of shares used to calculate diluted earnings per common share (in thousands)	5,485	5,500	5,555	5,863(3)	6,517	6,516	6,504
Cash dividends per share declared during the fiscal year[4]							
Common shares	¥ 8,255.25	¥ 8,255.25	¥ 4,127.63	¥ 6,000.00	¥ 4,000.00	¥ 4,000.00	¥ 6,000.00
	$ 74.91	$ 74.91	$ 37.46	$ 54.45	$ 36.30	$ 36.30	$ 54.45
Preferred shares (Class 1)	¥ 57,120.00	¥ 82,500.00	¥ 41,250.00	¥ 123,750.00	¥ 82,500.00	¥ 41,250.00	¥ 41,250.00
	$ 518.33	$ 748.64	$ 374.32	$ 1,122.96	$ 748.64	$ 374.32	$ 374.32
Preferred shares (Class 2)	¥ 8,150.00	¥ 16,200.00	¥ 8,100.00	¥ 24,300.00	¥ 16,200.00	¥ 8,100.00	¥ 8,100.00
	$ 73.96	$ 147.01	$ 73.50	$ 220.51	$ 147.01	$ 73.50	$ 73.50

	As of March 31,					As of September 30,	
	2000	2001	2002	2003	2004	2003	2004
	(in millions)						
Balance sheet data:							
Total assets	¥ 84,975,507	¥ 93,472,202	¥ 94,360,925	¥ 96,537,404	¥ 103,699,099	¥ 101,851,277	¥ 113,294,262
Loans, net of allowance for credit losses	48,563,172	47,953,919	48,494,545	47,105,433	47,637,729	46,900,599	50,846,540
Total liabilities	80,981,592	90,287,654	91,738,617	93,978,776	99,854,128	98,625,301	109,467,921
Deposits	54,777,171	60,105,742	63,659,501	67,303,678	70,024,252	69,856,596	72,064,301
Long-term debt	4,540,277	4,963,455	5,183,841	5,159,132	5,659,877	5,407,370	5,477,822
Shareholders equity	3,993,915	3,184,548	2,622,308	2,558,628	3,844,971	3,225,976	3,826,341
Capital stock[5]	956,664	956,664	973,156	1,084,708	1,084,708	1,084,708	1,084,708

36

Table of Contents

	As of March 31,					As of September 30,	
	2000	2001	2002	2003	2004	2003	2004
	(in millions, except percentages)						
Other financial data:							
Average balances:	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest-earning assets	¥ 82,944,880	¥ 83,192,062	¥ 85,027,796	¥ 86,246,966	¥ 90,850,630	¥ 90,039,278	¥ 96,860,081
Interest-bearing liabilities	74,408,264	75,645,416	78,683,185	79,658,352	84,975,055	83,854,192	89,572,079
Total assets	86,603,249	89,322,862	92,365,532	95,478,978	102,827,850	100,528,294	108,610,640
Shareholders equity	3,582,200	3,445,630	3,035,140	2,432,279	3,289,783	2,665,179	3,872,352
Return on equity and assets:	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income (loss) available to common shareholders as a percentage of total average assets	(0.06)%	(0.07)%	(0.24)%	0.20%	0.79%	1.04%	0.23%
Net income (loss) available to common shareholders as a percentage of average shareholders equity	(1.47)%	(1.93)%	(7.32)%	7.85%	24.77%	39.29%	6.59%
Dividends per common share as a percentage of basic earnings per common share	(6)	(6)	(6)	17.65%	3.12%	4.77%	30.46%
Average shareholders equity as a percentage of total average assets	4.14%	3.86%	3.29%	2.55%	3.20%	2.65%	3.57%
Net interest income as a percentage of total average interest-earning assets	1.30%	1.16%	1.26%	1.21%	1.10%	1.15%	0.99%
Credit quality data:							
Allowance for credit losses	¥ 1,486,212	¥ 1,716,984	¥ 1,735,180	¥ 1,360,136	¥ 888,127	¥ 1,069,044	¥ 938,208
Allowance for credit losses as a percentage of loans	2.97%	3.46%	3.45%	2.81%	1.83%	2.23%	1.81%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 2,844,915	¥ 4,272,794	¥ 4,164,982	¥ 2,753,026	¥ 1,731,083	¥ 2,234,265	¥ 1,791,739
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	5.68%	8.60%	8.29%	5.68%	3.57%	4.66%	3.46%
Allowance for credit losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	52.24%	40.18%	41.66%	49.41%	51.30%	47.85%	52.36%
Net loan charge-offs	¥ 679,736	¥ 598,362	¥ 603,404	¥ 814,811	¥ 337,124	¥ 157,375	¥ 121,181
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loan charge-offs as a percentage of average loans	1.30%	1.21%	1.23%	1.64%	0.69%	0.65%	0.48%
Average interest rate spread	1.14%	1.01%	1.18%	1.15%	1.06%	1.11%	0.95%
Risk-adjusted capital ratio calculated under Japanese GAAP(7)	11.43%	10.15%	10.30%	10.84%	12.95%	12.44%	10.92%

(1) Effective April 1, 2001, MTFG adopted Statement of Financial Accounting Standards (SFAS) No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137 and SFAS No. 138. On April 1, 2002, MTFG adopted SFAS No. 142 Goodwill and Other Intangible Assets. Effective April 1, 2004, MTFG adopted Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 .

(2) Amounts have been adjusted to reflect the stock-for-stock exchange creating MTFG for the fiscal years ended March 31, 2000 and 2001.

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

(4) For the convenience of readers, the U.S. dollar amounts are presented as translations of Japanese yen amounts at the rate of ¥110.20 = U.S.$1.00, the noon buying rate on September 30, 2004 in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York.

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

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

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

(8) Upon the acquisition of additional common shares of ACOM, Co., Ltd. (ACOM) in April 2004, MTFG applied the equity method of accounting to its investments in ACOM in a manner consistent with the accounting for step-by-step acquisition of a subsidiary. Accordingly, certain financial data for past periods have been retroactively adjusted.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA OF UFJ HOLDINGS

The following table sets forth certain selected consolidated financial data for UFJ Holdings and its consolidated subsidiaries as of and for the fiscal years ended March 31, 2003 and 2004. The selected consolidated statements of operations data for the fiscal years ended March 31, 2003 and 2004 and the balance sheet data as at March 31, 2003 and 2004 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of UFJ Holdings included elsewhere in this prospectus. The selected consolidated financial data for UFJ Holdings and its consolidated subsidiaries as at and for the six months ended September 30, 2003 and 2004 have been derived from, and should be read in conjunction with, the unaudited consolidated financial statements of UFJ Holdings included elsewhere in this prospectus, which management believes include all adjustments necessary for a fair presentation of the results of operations and financial condition for those periods. The results of operations for the six-month period are not necessarily indicative of the results for a full year s operations.

You should read the selected financial data set forth below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of UFJ Holdings and UFJ Holdings consolidated financial statements and other financial data included elsewhere in this prospectus. The following data are qualified in their entirety by reference to all of that information.

	Fiscal years ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in millions, except per share data and number of shares)			
Statement of operations data:				
Interest income	¥ 1,187,028	¥ 1,058,413	¥ 535,055	¥ 613,462
Interest expense	269,786	209,038	108,481	136,310
Net interest income	917,242	849,375	426,574	477,152
Provision for loan losses	511,898	313,124	134,881	202,398
Net interest income after provision for loan losses	405,344	536,251	291,693	274,754
Non-interest income	544,436	1,149,967	656,822	524,523
Non-interest expense	1,214,154	979,912	490,391	550,564
Income (loss) before income tax expense, cumulative effect of change in accounting principle and extraordinary gain	(264,374)	706,306	458,124	248,713
Income tax expense	23,753	95,618	57,449	5,906
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	(288,127)	610,688	400,675	242,807
Cumulative effect of change in accounting principle, net of taxes (1)	(62,000)	(2,959)	(2,959)	2,942
Extraordinary gain, net of taxes	12,319			
Net income (loss)	¥ (337,808)	¥ 607,729	¥ 397,716	¥ 245,749
Net income (loss) available to common stockholders	¥ (383,218)	¥ 579,901	¥ 383,869	¥ 219,419

Table of Contents

	Fiscal years ended March 31,		Six months ended September 30,	
	2003	2004	2003	2004
	(in millions, except per share data and number of shares)			
Amounts per 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	¥ 76,830	¥ 42,528
Basic earnings (loss) per common share net income (loss) available to common stockholders	(77,926)	114,642	76,242	43,106
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	57,020	33,605
Diluted earnings (loss) per common share net income (loss) available to common stockholders	(77,926)	86,382	56,598	34,012
Number of shares used to calculate basic earnings per common share (in thousands)	4,918	5,058	5,035	5,090
Number of shares used to calculate diluted earnings per common share (in thousands)	4,918	7,015(2)	7,013(2)	7,225(2)
Cash dividends per share declared during the fiscal year:				
Preferred stock (Class I)	¥ 984	¥ 264	¥ 264	¥ 508
Preferred stock (Class II)	4,770	1,590	1,590	3,180
Preferred stock (Class III)	5,055	1,151	1,151	1,168
Preferred stock (Class IV)	4,185	1,395	1,395	2,790
Preferred stock (Class V)	4,365	1,455	1,455	2,910
Preferred stock (Class VI)	474	24	24	5
Preferred stock (Class VII)	3,450	1,150	1,150	2,300

	At March 31,		At September 30,	
	2003	2004	2003	2004
	(in millions)			
Balance sheet data:				
Total assets	¥ 77,337,421	¥ 80,639,731	¥ 80,165,840	¥ 82,621,683
Loans, net of allowance for loan losses	43,489,478	42,981,743	42,139,028	41,847,467
Total liabilities	76,965,265	79,204,886	79,351,913	81,113,520
Deposits	56,130,501	58,537,935	57,291,723	57,506,750
Long-term debt	3,734,025	4,157,758	3,960,897	5,775,359
Stockholders' equity	372,156	1,434,845	813,927	1,508,163
Capital stock	1,000,000	1,000,000	1,000,000	1,000,000

	At March 31,		At September 30,
	2003	2004	2004
	(in millions, except percentages)		
Other financial data:			
Credit quality data:			
Allowance for loan losses	¥ 3,195,187	¥ 2,438,309	¥ 2,080,771
Allowance for loan losses as a percentage of loans	6.84%	5.37%	4.74%
Non-accrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 7,169,794	¥ 5,084,867	¥ 4,400,313
Non-accrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	15.36%	11.20%	10.02%
Allowance for loan losses as a percentage of nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	44.56%	47.95%	47.29%
Net loan charge-offs	¥ 799,315	¥ 1,068,433	¥ 640,465

(1) SFAS No. 143 Accounting for Asset Retirement Obligations was adopted effective April 1, 2003. FASB Interpretation No. 46 (revised December 2003) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 was adopted for the interim reporting period beginning April 1, 2004 with respect to entities created before February 1, 2003. SFAS No. 142 Goodwill and Other Intangible Assets was adopted effective April 1, 2002.

(2) Includes the common stock obtainable on conversion of convertible preferred stock, if dilutive.

The total risk-based capital ratio calculated under Japanese GAAP was 9.24% at March 31, 2004 and 9.92% at September 30, 2004. Risk-based capital ratios have been calculated in accordance with Japanese banking regulations, based on information derived from UFJ Holdings consolidated financial statements prepared in accordance with Japanese GAAP.

Table of Contents

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed balance sheet as of September 30, 2004 and the unaudited pro forma combined condensed statements of income for the year ended March 31, 2004 and for the six months ended September 30, 2004 combine the historical consolidated balance sheets and consolidated statements of income of MTFG and UFJ Holdings under U.S. GAAP, giving effect to the proposed merger, after reflecting the pro forma adjustments described in the notes to unaudited pro forma combined condensed financial information. The business combination will be accounted for by the purchase method of accounting with MTFG treated as the acquirer.

Under U.S. GAAP, as a result of the application of the purchase method of accounting in connection with the proposed merger, the purchase price of all outstanding shares of UFJ Holdings has been allocated on a preliminary basis to UFJ Holdings consolidated assets and liabilities based on the estimated fair values of those assets and liabilities.

The unaudited pro forma combined condensed balance sheet gives effect to the proposed merger as if it had been effective on September 30, 2004. The unaudited pro forma combined condensed statements of income give effect to the proposed merger as if it had been effective on April 1, 2003. This information has been derived from and should be read in conjunction with the historical consolidated financial statements of MTFG and UFJ Holdings, including their respective notes thereto, which have been prepared in accordance with U.S. GAAP.

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have occurred had the proposed merger been made at the beginning of the periods presented or the future results of the combined operations. In addition, the allocation of the purchase price reflected in the unaudited pro forma financial information is subject to adjustments and will vary from the actual purchase price allocation that will be recorded upon completion of the proposed merger based upon changes in the balance sheet including fair value estimates.

Table of Contents

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2004

	MTFG	UFJ Holdings	Pro forma adjustments	Pro forma combined
		(in millions)		
Assets				
Cash and due from banks	¥ 3,591,732	¥ 8,149,014	¥ (14,814) (A)	¥ 11,890,225
			164,293 (B)	
Interest-earning deposits in other banks	4,116,045	569,684	(268,491) (A)	4,419,981
			2,743 (B)	
Call loans, funds sold, and receivables under resale agreements	2,246,091	460,560	(1,592) (A)	2,705,059
Receivables under securities borrowing transactions	3,958,769	3,244,318	(162,492) (A)	7,040,595
Trading account assets	7,910,977	4,827,545	(189,382) (A)	12,549,140
Investment securities:				
Securities available for sale	31,633,734	18,035,485	273,974 (B)	49,943,193
Securities being held to maturity	1,876,692		15 (B)	1,876,707
Preferred stock investment in UFJ Bank Limited	700,000		(700,000) (A)	
Other investment securities	282,321	275,943	(13,367) (B)	918,200
			373,303 (C)	
Total investment securities	34,492,747	18,311,428	(66,075)	52,738,100
Loans, net of unearned income and deferred loan fees	51,784,748	43,928,238	(38,052) (A)	95,848,003
			173,069 (C)	
Allowance for credit losses	(938,208)	(2,080,771)		(3,018,979)
Net loans	50,846,540	41,847,467	135,017	92,829,024
Premises and equipment-net	569,285	597,926	2,027 (B)	1,208,126
			38,888 (C)	
Accrued interest	142,374	69,586	(151) (A)	211,809
Customers acceptance liability	23,705	30,358		54,063
Intangible assets	251,991	620,086	37,597 (B)	1,657,388
			(620,086) (C)	
			1,367,800 (C)	
Goodwill	69,468	2,399,391	(2,399,391) (C)	4,694,270
			4,624,802 (C)	
Deferred tax assets	1,051,544	56,284	110 (B)	642,743
			(465,195) (C)	
Accounts receivable	2,077,517	634,689	(11,074) (A)	2,701,132
Other assets	1,945,477	803,347	(1,217) (A)	2,743,253
			8,531 (B)	
			(12,885) (C)	
Total	¥ 113,294,262	¥ 82,621,683	¥ 2,168,963	¥ 198,084,908

(continued)

The accompanying notes are an integral part of the unaudited pro forma combined condensed financial information.

Table of Contents

	MTFG	UFJ Holdings	Pro forma adjustments	Pro forma combined
		(in millions)		
Liabilities and Shareholders Equity				
Deposits:				
Domestic offices:				
Non-interest-bearing	¥ 4,812,258	¥ 3,860,822	¥ (13,542) (A)	¥ 8,700,996
			41,458 (B)	
Interest-bearing	53,869,927	51,306,252	(41,743) (A)	105,170,089
			14,588 (B)	
			21,065 (C)	
Overseas offices, principally interest-bearing	13,382,116	2,339,676	(228,019) (A)	15,499,650
			5,877 (C)	
Total deposits	72,064,301	57,506,750	(200,316)	129,370,735
Debentures	30,752			30,752
Call money, funds purchased, and payables under repurchase agreements	8,846,928	2,169,787	(1,592) (A)	11,015,123
Payables under securities lending transactions	2,916,200	2,380,652	(162,492) (A)	5,134,360
Due to trust account and other short-term borrowings	10,948,012	7,808,808	(6,667) (A)	19,106,509
			356,356 (B)	
Trading account liabilities	2,068,544	2,647,808	(189,382) (A)	4,526,970
Obligations to return securities received as collateral	2,640,781	195,478		2,836,259
Bank acceptances outstanding	23,705	30,358		54,063
Accrued interest	103,787	68,371	(151) (A)	172,117
			110 (B)	
Long-term debt	5,477,822	5,775,359	(31,385) (A)	11,411,302
			29,760 (B)	
			159,746 (C)	
Accounts payable	2,836,121	635,590	(11,074) (A)	3,460,637
Other liabilities	1,510,968	1,894,559	(701,218) (A)	2,735,546
			33,651 (B)	
			8,064 (C)	
			(10,478) (C)	
Total liabilities	109,467,921	81,113,520	(727,068)	189,854,373
Commitments and contingent liabilities				
Shareholders equity:				
Capital Stock:				
Preferred stock	122,100	732,224	(732,224) (D)	122,100
Common stock	1,084,708	267,776	(267,776) (D)	1,084,708
Capital surplus	1,057,624	2,527,309	4,404,194 (C)	5,461,818
			(2,527,309) (D)	
Retained earnings				
Appropriated for legal reserve	239,571			239,571
Unappropriated	1,047,485	(2,490,221)	2,490,221 (D)	1,047,485
Accumulated other changes in equity from nonowner sources, net of taxes	277,358	480,429	(480,429) (D)	277,358
Total	3,828,846	1,517,517	2,886,677	8,233,040
Less treasury stock, at cost	2,505	9,354	(9,354) (D)	2,505
Shareholders equity-net	3,826,341	1,508,163	2,896,031	8,230,535
Total	¥ 113,294,262	¥ 82,621,683	¥ 2,168,963	¥ 198,084,908

The accompanying notes are an integral part of the unaudited pro forma combined condensed financial information.

Table of Contents

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004

	MTFG	UFJ Holdings	Pro forma adjustments	Pro forma combined
	(in millions, except per share data)			
Interest income:				
Loans, including fees	¥ 450,682	¥ 483,857	¥ (377) (A)	¥ 923,218
			(10,944) (C)	
Deposits in other banks	25,311	8,153	(1,179) (A)	32,285
Investment securities	176,931	102,606	13 (B)	279,550
Trading account assets	23,181	8,674		31,855
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	19,437	10,172	(110) (A)	29,502
			3 (B)	
Total	695,542	613,462	(12,594)	1,296,410
Interest expense:				
Deposits	94,088	38,815	(1,179) (A)	131,724
Debentures	348			348
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions	30,452	11,694	(110) (A)	42,050
			14 (B)	
Due to trust account, other short-term borrowings, and trading account liabilities	34,983	20,444	(16) (A)	55,414
			3 (B)	
Long-term debt	55,745	65,357	(361) (A)	100,461
			346 (B)	
			(20,626) (C)	
Total	215,616	136,310	(21,929)	329,997
Net interest income	479,926	477,152	9,335	966,413
Provision for credit losses	167,059	202,398		369,457
Net interest income after provision for credit losses	312,867	274,754	9,335	596,956
Non-interest income:				
Fees and commissions	312,471	297,036	(4,624) (A)	616,699
			11,816 (B)	
Foreign exchange gains (losses)-net	(164,247)	5,402	1 (B)	(158,844)
Trading account profits (losses)-net	12,323	(65,469)		(53,146)
Investment securities gains-net	196,686	250,735		447,421
Other non-interest income	70,128	36,819	(9,605) (A)	105,741
			8,399 (B)	
Total	427,361	524,523	5,987	957,871
Non-interest expense:				
Salaries and employee benefits	238,935	160,962	(534) (A)	404,274
			1,913 (B)	
			2,998 (C)	
Occupancy expenses-net	60,424	68,039	(306) (A)	140,889
			11,853 (B)	
			879 (C)	

Fees and commission expenses	42,079	29,905	(4,624) (A)	67,863
			503 (B)	
Amortization of intangible assets	33,740	55,074	5,470 (B)	109,036
			(55,074) (E)	
			69,826 (E)	
Insurance premiums, including deposit insurance	26,276	25,758	2 (B)	52,036
Minority interest in income of consolidated subsidiaries	15,752	3,754		19,506
Communications	14,195	4,684	233 (B)	19,112
Other non-interest expenses	107,016	202,388	(8,765) (A)	300,699
			60 (B)	
Total	538,417	550,564	24,434	1,113,415

(continued)

Table of Contents

	MTFG	UFJ Holdings	Pro forma adjustments	Pro forma combined
	(in millions, except per share data)			
Income from continuing operations before income tax expense	201,811	248,713	(9,112)	441,412
Income tax expense	69,446	5,906	(3,663) (D)	71,689
Income from continuing operations	132,365	242,807	(5,449)	369,723
Income from continuing operations allocable to preferred shareholders	3,479	26,330		29,809
Income from continuing operations available to common shareholders	¥ 128,886	¥ 216,477	¥ (5,449)	¥ 339,914
Amounts per share:				
Basic earnings per common share income from continuing operations available to common shareholders	¥ 19,850.94	¥ 42,527.48		¥ 35,229.16
Diluted earnings per common share income from continuing operations available to common shareholders	19,743.30	33,605.00		33,549.77
Weighted average common shares outstanding (in thousands)	6,493	5,090		9,649
Weighted average diluted common shares outstanding (in thousands)	6,504	7,225		10,300

The accompanying notes are an integral part of the unaudited pro forma combined condensed financial information.

Table of Contents

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	MTFG	UFJ Holdings	Pro forma adjustments		Pro forma combined
	(in millions, except per share data)				
Interest income:					
Loans, including fees	¥ 921,666	¥ 840,832	¥ (834)	(A)	¥ 1,739,775
			(21,889)	(C)	
Deposits in other banks	48,093	21,264	(5,907)	(A)	63,450
Investment securities:					
Interest	341,062	139,411	20	(B)	480,493
Dividends	41,207	22,571			63,778
Trading account assets	28,451	17,681			46,132
Call loans and funds sold	5,384	3,558	(66)	(A)	8,885
			9	(B)	
Receivables under resale agreements and securities borrowing transactions	35,891	13,096	(605)	(A)	48,382
Total	1,421,754	1,058,413	(29,272)		2,450,895
Interest expense:					
Deposits	178,549	74,818	(5,907)	(A)	222,006
			(25,454)	(C)	
Debentures	4,035				4,035
Call money and funds purchased	9,910	1,274	(66)	(A)	11,118
Payables under repurchase agreements and securities lending transactions	74,043	18,587	(605)	(A)	92,098
			73	(B)	
Due to trust account	4,950	6,210	6	(B)	11,166
Other short-term borrowings and trading account liabilities	34,262	19,404	(34)	(A)	53,632
Long-term debt	120,765	88,745	(800)	(A)	168,224
			766	(B)	
			(41,252)	(C)	
Total	426,514	209,038	(73,273)		562,279
Net interest income	995,240	849,375	44,001		1,888,616
Provision (credit) for credit losses	(114,109)	313,124	(13)	(B)	199,002
Net interest income after provision (credit) for credit losses	1,109,349	536,251	44,014		1,689,614
Non-interest income:					
Fees and commissions	572,668	445,717	(7,131)	(A)	1,034,694
			23,440	(B)	
Foreign exchange gains net	413,911	95,561			509,472
Trading account profits-net	103,903	228,971			332,874
Investment securities gains net	118,648	316,911			435,559
Refund of the local taxes by the Tokyo Metropolitan Government	41,989	25,695			67,684
Other non-interest income	56,976	37,112	(18,177)	(A)	91,270
			15,359	(B)	
Total	1,308,095	1,149,967	13,491		2,471,553
Non-interest expense:					
Salaries and employee benefits	506,710	344,550	(1,049)	(A)	834,874
			3,804	(B)	
			(19,141)	(C)	

Occupancy expenses-net	120,507	121,193	(535)	(A)	265,696
			22,773	(B)	
			1,758	(C)	
Gains on other real estate owned	(579)				(579)
Fees and commission expenses	80,252	50,882	(7,131)	(A)	124,711
			708	(B)	
Amortization of intangible assets	63,582	82,722	9,083	(B)	212,318
			(82,722)	(E)	
			139,653	(E)	
Insurance premiums, including deposit insurance	54,392	52,054	3	(B)	106,449
Minority interest in income of consolidated subsidiaries	42,404	19,668			62,072
Communications	27,623	9,436	491	(B)	37,550
Other non-interest expenses	341,149	299,407	(16,593)	(A)	624,437
			474	(B)	
Total	1,236,040	979,912	51,576		2,267,528
Income from continuing operations before income tax expense	1,181,404	706,306	5,929		1,893,639
Income tax expense	357,817	95,618	2,674	(D)	456,109
Income from continuing operations	823,587	610,688	3,255		1,437,530
Income from continuing operations allocable to preferred shareholders	7,981	27,828			35,809
Income from continuing operations available to common shareholders	¥ 815,606	¥ 582,860	¥ 3,255		¥ 1,401,721
Amounts per share:					
Basic earnings per common share income from continuing operations available to common shareholders	¥ 128,443.00	¥ 115,227.05			¥ 147,765.32
Diluted earnings per common share income from continuing operations available to common shareholders	125,123.73	86,803.31			131,380.21
Weighted average common shares outstanding (in thousands)	6,350	5,058			9,486
Weighted average diluted common shares outstanding (in thousands)	6,517	7,015			10,866

The accompanying notes are an integral part of the unaudited pro forma combined condensed financial information.

46

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

1. Basis of Pro Forma Presentation

The unaudited pro forma financial information is based on the purchase method of accounting, and the pro forma adjustments include the adjustments to record the consolidated assets and liabilities of UFJ Holdings at their estimated fair values on the date of acquisition. The pro forma adjustments also eliminate intercompany balances and transactions as of and during the periods presented. Although management uses its best judgment in estimating fair values based on information currently available, the estimation methodologies and assumptions used in estimating fair values are inherently subjective. The use of different estimation methodologies or market assumptions may have a significant effect on the estimated fair values. In addition, the final allocation of purchase price will be determined after the proposed merger is completed and the fair values of the consolidated assets and liabilities of UFJ Holdings as of the closing date are finally determined. The application of the purchase method of accounting to the actual merger may be materially different from the pro forma adjustments presented in this prospectus as additional information becomes available and as additional analysis is performed. Further, the unaudited pro forma financial information does not reflect the impact of targeted cost savings and other synergies and incremental cost of merger, all of which can not be objectively quantifiable.

MTFG will issue shares of convertible preferred stock in exchange for the outstanding convertible preferred stock of UFJ Holdings. However, since the actual payment of dividends depends on both the sufficiency of the retained earnings of the combined entity and the resolution of the shareholders at the relevant ordinary general meeting of shareholders in the case of annual preferred dividends, or the board of directors in the case of the preferred interim dividends, the unaudited pro forma combined condensed statements of income do not include any pro forma adjustments to the amount of income from continuing operations allocable to preferred shareholders.

The unaudited pro forma financial information does not reflect changes to MTFG s capitalization subsequent to September 30, 2004, including the redemption of 40,700 shares of MTFG s Class 1 preferred stock on October 1, 2004, the redemption of the remaining 40,700 shares outstanding of MTFG s Class 1 preferred stock on April 1, 2005, and the issuance of 100,000 shares of MTFG s Class 3 preferred stock on February 17, 2005, all of which are unrelated to the proposed merger.

Japanese banks generally are prohibited by the Banking Law and the Anti-Monopoly Law of Japan from purchasing or holding 5% or more of the equity interest in any domestic third party. In order to comply with this requirement, MTFG, UFJ Holdings and/or the combined entity may sell some available-for-sale equity securities. No adjustments have been made to the unaudited pro forma financial information to reflect the potential impact of such sales. The pro forma effect of such sales would not materially change the pro forma balance sheet since such investment is already carried at fair value in the historical balance sheet with unrealized gains/losses recorded in the shareholders equity. The actual gains or losses, if any, to be recorded upon the sale of such securities, will depend on the future market price of these investments at the time of sale, which is not currently determinable.

2. Pro Forma Adjustments

Acquisition of UFJ Holdings

On August 12, 2004, MTFG, UFJ Holdings, Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust Bank, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities concluded a basic agreement with regard to the management integration of the holding companies, banks, trust banks, and securities companies of the two groups. Subsequently, on September 17, 2004, MTFG purchased 3.5 billion class E preferred shares issued by

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

UFJ Bank for ¥700 billion. The closing date of the acquisition of UFJ Holdings is expected to be on or around October 1, 2005, subject to shareholder and regulatory approval. The purchase price is ¥4,412,258 million.

The proposed merger will be accounted for by the purchase method of accounting for business combinations. MTFG s share of UFJ Holdings assets and liabilities will be recorded at fair value, with the excess of the purchase price over MTFG s share of the fair value of UFJ Holdings net assets accounted for as goodwill.

The paragraphs below refer to the corresponding items set forth in the pro forma combined condensed balance sheet and statements of income.

Unaudited Pro Forma Combined Condensed Balance Sheet

(A) Adjustments to eliminate intercompany receivables and payables, including an adjustment to eliminate MTFG s investment in UFJ Bank s preferred stock and corresponding minority interest included in Other liabilities in the historical balance sheet of UFJ Holdings.

(B) Adjustments to consolidate the balance sheets of companies that will be controlled by the combined entity after the proposed merger in which the investments of both MTFG and UFJ Holdings had been accounted for by the equity method. The book values of certain assets of those companies are also adjusted to reflect the elimination of intercompany unrealized profits.

(C) Measurement of the purchase consideration and allocation of the purchase price to the assets acquired and liabilities assumed.

The total purchase price includes MTFG convertible preferred stock, MTFG common stock and certain direct acquisition costs determined as follows:

	(in millions except per share amounts)
Convertible preferred stock	¥ 1,360,636(a)
Outstanding common stock issued by UFJ Holdings (in thousands)	5,101,322
Exchange ratio	0.62
MTFG common stock to be issued (in thousands)	3,162,820
Average closing market price of MTFG common stock	962,500

	3,044,214(b)
Less costs of registration and issuance	656(c)
Direct acquisition costs	8,064(d)
Total purchase price	¥ 4,412,258

(a) MTFG will issue shares of the class 8, class 9, class 10, class 11 and class 12 convertible preferred stock in exchange for the class II, class IV, class V, class VI and class VII convertible preferred stock of UFJ Holdings, respectively. The fair value of such securities is estimated based on the terms and conditions of the new securities and the outstanding number of shares of the corresponding convertible preferred stock of UFJ Holdings as of September 30, 2004, and is derived from the present value of the cash dividend and principal payment streams as well as the conversion feature valued using a binomial option model. See the merger agreement, which is included in this prospectus as Annex B, for the detailed terms and conditions of the new securities.

48

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

In addition, the fair value of the convertible preferred stock also includes those of the outstanding shares of the class I and class III convertible preferred stock of UFJ Holdings as of September 30, 2004. They were valued by applying the mandatory conversion rate and the market price of ¥963,000 per share of MTFG s common stock as of February 18, 2005 multiplied by the common stock share exchange ratio of 0.62 since the class III shares matured on October 1, 2004 and the class I shares are maturing on August 1, 2005.

The entire amount is included in capital surplus in the pro forma combined condensed balance sheet, although the actual allocation within shareholders equity will be determined upon the issuance.

The details of the method used to determine the fair value of the convertible preferred stock to be newly issued are as follows:

Valuation Approach

The embedded conversion feature is a non-standard American-type option where the payoff depends on the path followed by the price of the common stock and not just its final value. In other words, if the conversion option is exercised, the number of shares of common stock received for each share of preferred stock depends on the stock price evolution up to that point in time. This characteristic precludes the application of pricing formulae (closed-form solutions) such as Black-Scholes type calculators. The alternative is to use a numerical method to derive the value of the preferred shares. These procedures include binomial / trinomial trees, Monte Carlo simulation, etc. For the valuation date under consideration, MTFG used the method of Hull & White, 1993, Efficient Procedures for Valuing European and American Path-Dependent Options to determine the present value of the capital appreciation and conversion feature. This solution adapts lattices to handle path-dependency by using a type of forward process for the path-dependent variable. The value of the derivative is then determined using backwards induction, comparing at each time-step the value from the early exercise to the rollback value. The dividend stream was valued separately by discounting the cash flows at the pre-tax cost of debt.

Assumptions

Major assumptions in the calculation of fair value were as follows:

- Maturity: MTFG used the period from February 18, 2005 to the date of mandatory conversion for each class of preferred stock, which ranges from 3.45 to 9.45 years.
- Discount rate:
  - For the capital appreciation and conversion option segment, MTFG used the applicable risk free rate, which ranges from 0.351% to 1.396%.

  - For the present value of the dividend stream, MTFG used the applicable risk free rate plus the spread for BBB rated Japanese banks, which ranges from 0.13% to 1.91%

- Volatility: MTFG used 44.19% as the volatility for all classes of preferred shares. The historical volatility of MTFG was calculated as the annualized standard deviation of the continuously compounded return since April 2, 2001, the date of incorporation of MTFG, to February 18, 2005, the valuation date.

- Common stock price: MTFG used the market price of ¥963,000 per share of MTFG s common stock as of February 18, 2005.

(b) MTFG will issue shares of common stock in exchange for 100% of common stock of UFJ Holdings at an exchange ratio of 0.62 shares of MTFG for each share of UFJ Holdings. The estimated fair value of

49

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

MTFG shares is based on the average closing market price of MTFG common stock for the period commencing two trading days prior to and ending two trading days after the merger ratio was agreed to and announced on February 18, 2005. The entire amount is included in capital surplus in the pro forma combined condensed balance sheet, although the actual allocation within shareholders equity will finally be determined upon the issuance.

(c) Represents estimated costs of registration and issuance of the MTFG common stock recognized as a reduction of the otherwise determinable fair value of the securities.

(d) Represents estimated direct costs of the business combination, including professional service fees paid to financial advisors and consultants for accounting and legal issues.

The purchase price was allocated to UFJ Holdings tangible assets and liabilities, identifiable intangible assets and goodwill as follows:

		(in millions)
Total purchase price		¥ 4,412,258
Less (Add):		
Book value of UFJ Holdings net assets	1,508,163	
UFJ Holdings goodwill and other intangible assets	(3,019,477)	
Estimated adjustments to reflect assets acquired at fair value		
Investment securities	373,303 (e)	
Net loans	173,069 (f)	
Premises and equipment	38,888 (g)	
Core deposit intangible assets	829,600 (h)	
Overdraft relationship intangible assets	36,800 (h)	
Credit card relationship and co-brand contract right intangible assets	143,900 (h)	
Trust customer relationship intangible assets	161,300 (h)	
Asset management relationship intangible assets	24,500 (h)	
Broker dealer customer relationship intangible assets	3,100 (h)	
Information technology intangible assets	122,200 (h)	
Trade name intangible assets	46,400 (h)	
Deferred tax assets	(465,195) (i)	
Prepaid pension cost	(12,885) (j)	
Estimated amounts allocated to liabilities assumed at fair value		
Deposits	(26,942) (k)	
Long-term debt	(159,746) (l)	
Accrued pension liability included in other liabilities	9,136 (j)	
Deferred tax liabilities included in other liabilities	1,342 (i)	
Total fair value of net assets acquired		(212,544)
Goodwill		¥ 4,624,802

(e) Investment securities: Fair value of non-public equity investments is based on their expected dividend streams, sale proceeds, and liquidity, using income approach. Fair value of non-public convertible preferred equity investments is estimated taking into consideration the value of the preferred dividends prior to conversion as well as the present value of the options to convert.

(f) Net loans: Fair value is determined using discounted cash flows based on current rates at which loans of similar credit quality would be made to borrowers for the same maturities. Fair value of non-performing loans is valued based on their principal balance net of specific reserve.

(g) Premises and equipment: Fair value is based on appraised values, either through independent third party appraisals or internal appraisals.

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

(h) Intangible assets: Fair values of core deposit intangible assets, overdraft relationship intangible assets, credit card relationship intangible assets, trust customer relationship intangible assets, asset management relationship intangible assets, broker dealer customer relationship intangible assets, information technology intangible assets and trade name intangible assets are based on an independent valuation report and based on current assumptions and estimates, which are subject to change.

(i) Deferred tax assets and liabilities are created as a result of fair value adjustments, assuming an effective statutory tax rate of approximately 40.6%.

(j) Prepaid pension cost and Accrued pension liability: Reflects the adjustment to remeasure the fair value of UFJ Holdings projected benefit obligation and plan assets.

(k) Interest-bearing deposits: Fair value of time deposits is determined using the discounted cash flow method based on rates offered for deposits with similar maturities.

(l) Long-term debt: Fair value is determined based on discounted cash flows based on current rates for issues of similar maturity and credit quality.

(D) Adjustments to eliminate UFJ Holdings historical shareholders equity.

Unaudited Pro Forma Combined Condensed Statements of Income

(A) Adjustments to eliminate income and expenses from transactions between MTFG and UFJ Holdings.

(B) Adjustments to consolidate statements of income of companies that will be controlled by the combined entity after the proposed merger in which the investments of both MTFG and UFJ Holdings are accounted for by the equity method.

(C) Includes the adjustments related to the difference between the carrying values and fair values of UFJ Holdings loans, deposits, long-term debt, pension liabilities, and premises acquired, as follows:

- Interest income on loans: The adjustment will be recognized over the estimated remaining life of the loan portfolio of eight years. The impact of this adjustment is to reduce pre-tax interest income by ¥21,889 million and ¥10,944 million for the fiscal year ended March 31, 2004 and six months ended September 30, 2004, respectively.

- Interest expense on deposits: The adjustment will be recognized over the estimated remaining life of the deposit liability portfolio of one year. The impact of this adjustment is to reduce pre-tax interest expense by ¥25,454 million for the fiscal year ended March 31, 2004.

- Interest expense on long-term debt: The adjustment will be recognized over the estimated remaining life of the long-term debt liabilities over three to four years. The impact of this adjustment is to reduce pre- tax interest expense by ¥41,252 million and ¥20,626 million for the fiscal year ended March 31, 2004 and six months ended September 30, 2004, respectively.

- Pension expense: The amounts of amortization of unrecognized prior service cost and the amortization of net actuarial loss recorded in the historical statements of operations of UFJ Holdings are eliminated. The impact of the adjustment is to decrease pre-tax salaries and employee benefits by ¥19,141 million and will increase by ¥2,998 million for the fiscal year ended March 31, 2004 and six months ended September 30, 2004, respectively.

- Depreciation expense on premises: The adjustment will be recognized over the estimated remaining life of the premises of twenty two years. The impact of this adjustment is to increase pre-tax occupancy expense by ¥1,758 million and ¥ 879 million for the fiscal year ended March 31, 2004 and six months ended September 30, 2004, respectively.

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

(D) Adjustments to record the tax effect of the pro forma adjustments using a statutory tax rate of approximately 40.6%.

(E) Adjustments to amortization expense related to acquired intangible assets was ¥139,653 million and ¥69,826 million for the fiscal year ended March 31, 2004 and six months ended September 30, 2004, respectively.

The analysis of the adjustments by type of intangible asset is as follows.

	For the six months ended September 30, 2004	For the fiscal year ended March 31, 2004
	(in millions)	
Core deposit intangible	¥ 41,480	¥ 82,960
Information technology	12,220	24,440
Credit card relationship and co-brand contract right	6,767	13,532
Trust relationship	6,204	12,408
Others	3,155	6,313
Total	¥ 69,826	¥ 139,653

The estimated useful lives of the intangible assets are as follows:

Core deposit intangible	10 years
Overdraft relationships	9 years
Credit card relationships UFJ	13 years
Credit card relationships Nippon Shinpan	7 years
Co-brand contract rights UFJ	13 years
Co-brand contract rights Nippon Shinpan	Indefinite life
Trust customer relationships	13 years
Asset management relationships	40 years
Broker dealer customer relationships (Retail)	11 years
Broker dealer customer relationships (Wholesale)	30 years
Information technology	5 years
Trade name UFJ	22 years
Trade name UFJ Tsubasa	11 years
Trade name Nippon Shinpan	Indefinite life

52

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

(F) To derive the combined pro forma income from continuing operations available to common shareholders, combined pro forma income from continuing operations has been reduced by income allocable to preferred shareholders. For income allocable to preferred shareholders, amounts recorded in the historical statements of operations are used without adjustment. No payment of dividends on MTFG preferred stock can be made unless the combined entity has sufficient retained earnings and, in the case of annual preferred dividends, the shareholders at the relevant ordinary general meeting of shareholders or, in the case of the preferred interim dividends, the board of directors, resolves to distribute the retained earnings.

	For the six months ended September 30, 2004		For the fiscal year ended March 31, 2004	
	(in millions)			
Combined pro forma income from continuing operations available to common stockholders Basic		¥ 339,914		¥ 1,401,721
Add back:				
Income from continuing operations allocable to preferred shareholders	¥ 29,809		¥ 35,809	
Less:				
Income from continuing operations allocable to antidilutive preferred shareholders	20,212		1,725	
Income from continuing operations allocable to non-convertible preferred shareholders	3,358		6,716	
Income from continuing operations allocable to dilutive preferred shareholders		6,239		27,368
Dilutive securities of MTFG s subsidiaries		(587)		(1,501)
Combined pro forma income from continuing operations available to common stockholders Diluted		¥ 345,566		¥ 1,427,588

Weighted average shares used for the computation of basic income from continuing operations per share of the combined entity were calculated using the historical weighted average shares outstanding of MTFG and UFJ Holdings for the year ended March 31, 2004 and six months ended September 30, 2004, adjusted using the merger ratio.

Weighted average shares used for the computation of diluted income from continuing operations per share of the combined entity were calculated as follows:

	For the six months ended	For the fiscal year ended

	September 30, 2004	March 31, 2004
	(in thousands)	
Basic weighted average shares outstanding	9,649	9,486
Convertible preferred stock	651	1,380
Diluted weighted average shares outstanding	10,300	10,866

3. Management s restructuring and integration plan, and its financial consequences

In connection with the merger, the parties have been developing a business plan for integrating the operations of MTFG and UFJ Holdings. Based on the current plan, the total costs related to the integration plan have been estimated to be approximately ¥620 billion, which will be incurred over the five-year period through

53

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION (Continued)

the fiscal year ending March 31, 2010. The plan will continue to be refined toward the completion of the business combination, and the estimated amount of integration costs and when these costs are incurred will be significantly affected by such continuing refinement of the integration plan. The plan at this time does not specifically identify the offices, branches, and components of systems to be integrated. Consequently, the detailed integration procedures, including the timing of the integrations and the methods of exit, have not been determined. The employee redeployment plan also depends on the details of the consolidation of the branch network and the integration of operations and systems. In addition, the integration plan will be implemented and certain related commitments will become legally binding after the merger is approved by MTFG and UFJ Holdings shareholders and relevant regulatory authorities. Therefore, these integration costs are not reflected in the unaudited pro forma financial information as they are not yet factually supportable, except the direct acquisition costs described in Note (C) to the unaudited pro forma combined condensed balance sheet.

Currently, the integration plan includes the integration of head office functions and management resources, consolidation of overlapping outlets, establishment of joint outlets, redeployment of staff and other human resources, and reduction of infrastructure costs through standardization of operations and systems. System integration costs have been estimated at approximately ¥330 billion, of which approximately ¥110 billion, ¥80 billion, and ¥70 billion will be incurred in the fiscal years ending March 31, 2006, 2007 and 2008, respectively. Costs related to the branch network have been estimated to be approximately ¥110 billion, a major part of which will be incurred in the fiscal years ending March 31, 2006 and 2007. Other integration costs, including those related to the integration of head office functions, redeployment of staff, advertising and signage, taxes, and miscellaneous expenses, have been estimated at approximately ¥180 billion, of which approximately ¥70 billion will be incurred in the fiscal year ending March 31, 2006 and approximately ¥30 billion in each of the fiscal years ending March 31, 2007 and 2008. Certain of these integration costs, such as penalties on the early cancellation of leases and service contracts by UFJ Holdings, will be recorded as liabilities assumed in the business combination, while other costs will be recorded as expenses when they are incurred, depending on the nature and timing of these integration costs.

See Business Enhancing Integration and Management Efficiency for more information on the integration plan.

Table of Contents

SELECTED UNAUDITED PRO FORMA PER SHARE DATA OF MTFG AND UFJ HOLDINGS

The following table sets forth historical unaudited pro forma and pro forma equivalent information with respect to income from continuing operations per share and dividends per share for the fiscal year ended March 31, 2004 and the six months ended September 30, 2004 and net book value per share as of September 30, 2004 for MTFG and UFJ Holdings. The historical information for MTFG and UFJ Holdings has been prepared under U.S. GAAP. The information that follows should be read in conjunction with the unaudited pro forma combined condensed financial information and related notes included elsewhere in this prospectus, together with the historical U.S. GAAP consolidated financial statements of MTFG and UFJ Holdings included in this prospectus.

The comparative pro forma and pro forma equivalent per share data has been included for comparative purposes only and do not purport to be indicative of (1) the actual results of operations or financial position which would have been obtained if the merger had been completed at the beginning of the earliest period presented or as of the date indicated or (2) the results of operations or financial position which may be obtained in the future.

	For the fiscal year ended March 31, 2004			
	UFJ Holdings		MTFG	
	Historical(1)	Pro Forma Equivalent(2)	Historical(1)	Pro Forma
Cash dividends per share(3)	¥	¥ 2,480.00	¥ 4,000.00	¥ 4,000.00
Income from continuing operations per share:				
Basic	115,227.05	91,614.50	128,443.00	147,765.32
Diluted	86,803.31	81,455.73	125,123.73	131,380.21

	For the six months ended September 30, 2004			
	UFJ Holdings		MTFG	
	Historical(1)	Pro Forma Equivalent(2)	Historical(1)	Pro Forma
Net book value per share (as of the end of the period)	¥ 8,569.15	¥ 417,764.91	¥ 549,725.57	¥ 673,814.37
Cash dividends per share(3)		3,720.00	6,000.00	6,000.00
Income from continuing operations per share:				
Basic	42,527.48	21,842.08	19,850.94	35,229.16
Diluted	33,605.00	20,800.86	19,743.30	33,549.77

(1) Calculated using the weighted average number of shares outstanding for the period.
(2) Pro forma equivalent per share amounts were calculated by multiplying the pro forma income from continuing operations per share, pro forma net book value per share and pro forma cash dividends per share by the merger ratio, which is each share of common stock of UFJ Holdings to 0.62 shares of common stock of MTFG.
(3) Cash dividends per share reflect those paid during each of the periods indicated.

Table of Contents

EXCHANGE RATES

The table below sets forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per $1.00. On May 25, 2005, the noon buying rate was $1.00 equals ¥107.73 and the inverse noon buying rate was ¥100 equals $0.93.

	High	Low	Period End	Average of Month-end Rates
		(yen per dollar)		
Fiscal year ended March 31, 2001	125.23	104.19	125.54	111.65
Fiscal year ended March 31, 2002	134.77	115.89	132.70	125.64
Fiscal year ended March 31, 2003	133.40	115.71	118.07	121.10
Fiscal year ended March 31, 2004	120.55	104.18	104.18	112.75
Fiscal year ended March 31, 2005	114.30	102.26	107.22	107.28
Fiscal year ending March 31, 2006 (through May 25)	108.67	104.41	107.73	n.a.
Month of:				
November 2004	106.91	102.58	103.04	n.a.
December 2004	105.59	102.56	102.68	n.a.
January 2005	104.93	102.26	103.55	n.a.
February 2005	105.84	103.70	104.25	n.a.
March 2005	107.49	103.87	107.22	n.a.
April 2005	108.67	104.64	104.64	n.a.
May 2005 (through May 25)	108.17	104.41	107.73	n.a.

Table of Contents

MARKET PRICE AND DIVIDEND INFORMATION

The primary market for MTFG s common stock is the Tokyo Stock Exchange. MTFG s common stock is also listed and traded on the Osaka Securities Exchange in Japan and on the Official List of the UK Listing Authority and traded on the market for listed securities on the London Stock Exchange in the United Kingdom. Application has been made to list MTFG s common stock on the Nagoya Stock Exchange in Japan. ADSs, each representing one one-thousandth of a share of common stock, are listed on the NYSE under the symbol MTF .

The primary market for shares of UFJ Holdings common stock is the Tokyo Stock Exchange. In Japan, UFJ Holdings common stock is also listed and traded on the Osaka Securities Exchange and the Nagoya Stock Exchange. UFJ Holdings common stock is also listed on the Official List of the UK Listing Authority and traded on the market for listed securities on the London Stock Exchange in the United Kingdom.

The following table sets forth, for the periods indicated, the reported high and low sale prices for shares of MTFG common stock and UFJ Holdings common stock on the Tokyo Stock Exchange. The following table also sets forth, for the periods indicated, the reported high and low sales prices per ADS of MTFG ADSs traded on the NYSE.

	MTFG common stock		UFJ Holdings common stock		MTFG ADS	
	Price Per Share		Price Per Share		Price Per ADS	
	High	Low	High	Low	High	Low
Fiscal year ended March 31, 2002	¥ 1,350,000	¥ 688,000	¥ 979,000	¥ 225,000	$ 11.27	$ 5.15
Fiscal year ended March 31, 2003	1,060,000	438,000	392,000	86,000	8.31	3.65
Fiscal year ended March 31, 2004	1,080,000	351,000	673,000	85,200	10.11	2.98
Fiscal year ended March 31, 2005	1,230,000	800,000	794,000	405,000	10.40	7.12
Fiscal year ended March 31, 2003:						
First quarter	1,060,000	770,000	392,000	269,000	8.31	5.91
Second quarter	925,000	700,000	332,000	228,000	7.64	5.98
Third quarter	901,000	620,000	306,000	86,000	7.34	5.08
Fourth quarter	737,000	438,000	174,000	102,000	6.20	3.65
Fiscal year ended March 31, 2004:						
First quarter	548,000	351,000	180,000	85,200	4.63	2.98
Second quarter	747,000	475,000	498,000	181,000	6.60	4.04
Third quarter	929,000	672,000	576,000	354,000	8.42	6.31
Fourth quarter	1,080,000	770,000	673,000	401,000	10.11	7.34
Fiscal year ended March 31, 2005						
First quarter	1,110,000	800,000	794,000	473,000	10.40	7.12
Second quarter	1,230,000	889,000	556,000	405,000	10.40	8.11
Third quarter	1,040,000	858,000	622,000	463,000	10.24	8.02
Fourth quarter	1,060,000	924,000	625,000	558,000	10.26	8.61
Fiscal year ending March 31, 2006						
First quarter (through May 25)	954,000	873,000	579,000	533,000	8.88	8.17
Month of:						
November 2004	1,010,000	877,000	565,000	474,000	9.66	8.40
December 2004	1,040,000	947,000	622,000	531,000	10.24	9.05

January 2005	1,060,000	971,000	625,000	590,000	10.26	9.40
February 2005	1,010,000	938,000	616,000	558,000	9.66	8.95
March 2005	974,000	924,000	588,000	558,000	9.47	8.61
April 2005	954,000	884,000	579,000	538,000	8.82	8.17
May 2005 (through May 25)	926,000	873,000	562,000	533,000	8.88	8.21

Table of Contents

On May 25, 2005 the last reported official sale price of MTFG shares on the Tokyo Stock Exchange was ¥904,000 per share, and the last reported official sale price of UFJ Holdings shares on the Tokyo Stock Exchange was ¥550,000 per share. On May 25, 2005 the last reported sale price of MTFG ADSs traded on the NYSE was $8.38 per ADS.

Set forth below are the closing prices of MTFG shares and ADSs and UFJ Holdings shares on February 18, 2005, April 20, 2005 and May 25, 2005. February 18, 2005 was the last full trading day prior to the companies entering into and announcing the integration agreement after close of trading on February 18, 2005. April 20, 2005 was the day the merger agreement was entered into by MTFG and UFJ Holdings. The table also presents implied equivalent value per share of UFJ Holdings common stock on each date by multiplying the last reported official sale price per share of MTFG common stock on the Tokyo Stock Exchange on that day by 0.62. The implied equivalent value per share of UFJ Holdings common stock indicates what UFJ Holdings would be worth to its shareholders if the merger had occurred on the relevant date and those shareholders had received 0.62 shares of MTFG common stock for each UFJ Holdings share they held, in terms of the number of MTFG shares they would receive.

	UFJ Holdings common stock (historical)	UFJ Holdings common stock (implied equivalent value)	MTFG common stock (historical)	MTFG ADSs (historical)
February 18, 2005	¥ 579,000	¥ 597,060	¥ 963,000	$ 9.18
April 20, 2005	554,000	564,200	910,000	8.50
May 25, 2005	550,000	560,480	904,000	8.38

Following the merger, shares of common stock of the combined entity are expected to be listed and traded on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange in Japan and on the market for listed securities on the London Stock Exchange in the United Kingdom. ADSs representing shares of common stock of the combined entity are expected to be listed on the NYSE.

Dividend Information

The following table sets out the dividends per share declared on MTFG common stock and UFJ Holdings common stock during each period indicated.

	MTFG	UFJ Holdings
Fiscal year ended March 31,		
2000	¥ 8,255.25	n.a.(1)
2001	8,255.25	n.a.(1)
2002	4,127.63	
2003	6,000.00	
2004	4,000.00	

(1) UFJ Holdings was formed on April 1, 2001.

For the fiscal year ended March 31, 2005, MTFG has announced that it intends to pay dividends of ¥6,000 per share of common stock, and UFJ Holdings has announced that it intends to pay no dividends to its common shareholders.

Table of Contents

GENERAL MEETING OF UFJ HOLDINGS SHAREHOLDERS

General

UFJ Holdings will distribute mail-in voting cards to its shareholders of record as of March 31, 2005 (or their standing proxies, as appropriate) who have voting rights for use at its annual general meeting of shareholders, which is scheduled to be held at 10:00 a.m. on June 29, 2005 (Japan time) at the office of UFJ Holdings in Tokyo, Japan. UFJ Holdings is distributing the voting cards, together with the notice of convocation of the meeting and reference documents concerning the exercise of voting rights, by mail to its shareholders who have voting rights. For shareholders who are not resident in Japan and have a standing proxy in Japan with respect to UFJ Holdings shares, UFJ Holdings will distribute the voting cards and notice of convocation to their standing proxies in Japan, who will then transmit those materials to the shareholders according to the terms of the respective proxy agreements. Shareholders who are not resident in Japan and who have purchased UFJ Holdings shares through a securities broker located outside Japan can contact their broker to obtain the materials from the broker s custodian or standing proxy in Japan.

The purpose of the annual general meeting of shareholders will be, among other things:

- to consider and to vote upon the approval of the terms of the merger agreement;
- to consider and to vote upon the election of the board of directors for the combined entity; and
- to transact such other business related to such proposals as may properly come before the annual general meeting.

Voting

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 UFJ Holdings and its subsidiaries own 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.

Holders of UFJ Holdings class I, class II, class IV, class V, class VI and class VII preferred shares will be entitled to vote, together with the common shareholders, at UFJ Holdings general meeting of shareholders in June 2005 at the ratio of one vote for one preferred share because a proposal to pay the full amount of preferential dividends on those preferred shares is not included in the agenda for that meeting. In addition, holders of UFJ Holdings common shares and class I, class II, class IV, class V, class VI and class VII preferred shares will be entitled to vote separately to approve the merger as a class at their respective class shareholders meeting.

All of the outstanding class I preferred shares are held by a special purpose trust, and all of the outstanding class VI preferred shares are held by a separate special purpose trust. The trustee of each trust will exercise the voting rights with respect to the class I preferred shares and class VI preferred shares on behalf of the respective trust. Under the terms of the trust deeds, the holders of preferred share units issued by each trust are entitled to instruct the relevant trustee on how it should vote at the general shareholders meeting when the class I preferred shares and class VI preferred shares are being voted together with the common shares and other preferred shares. Conversely, holders of preferred share units will not be entitled to instruct the relevant trustee on how to vote at the separate preferred shareholders meetings for the class I preferred shares and class VI preferred shares. Under the terms of both trust deeds, the trustees will, on each resolution on which a vote is required at the class I and class VI preferred shareholders meetings, vote the shares in accordance with the outcome of the vote at the general shareholders meeting. The trustees are required to vote the class I and class VI preferred shares in this manner, because they will obtain a legal opinion to the effect that the rights of the class I preferred shareholders and class VI preferred shareholders with respect to dividends, liquidation distributions and conversion rights will remain substantially equivalent after the merger.

Record Date

In accordance with its articles of incorporation, UFJ Holdings fixed March 31, 2005 as the record date for determining the holders of its capital stock entitled to exercise voting rights at the annual general meeting of shareholders discussed above. As of March 31, 2005, there were 5,165,292 shares of UFJ Holdings common stock issued, excluding 4,430 shares of treasury stock. Of those, 643,890 shares, representing 12.48% of the issued shares, were held of record by residents of the United States, and 158 shares, representing less than 0.01% of the issued shares, were held of record by UFJ Holdings directors, executive officers and corporate auditors.

As of March 31, 2005, the following preferred shares of UFJ Holdings were issued and outstanding:

- 6,543 class I preferred shares;
- 200,000 class II preferred shares;
- 150,000 class IV preferred shares;
- 150,000 class V preferred shares;
- 8 class VI preferred shares; and
- 200,000 class VII preferred shares.

As of March 31, 2005, the Resolution and Collection Corporation held all of the issued and outstanding class II, class IV, class V and class VII preferred shares issued by UFJ Holdings.

Vote Required

The required quorum for a vote on the terms of the merger agreement at the general meeting of UFJ Holdings shareholders is one-third of the aggregate of the above common and preferred shares with voting rights at the general meeting. In determining the required quorum for the shareholders meetings for UFJ Holdings, shares without voting rights are not counted. The affirmative vote of shareholders comprising two-thirds of the common and preferred shares with voting rights represented at the general meetings of shareholders of UFJ Holdings is required to approve the terms of the merger agreement. See Voting Rights above. In addition, the terms of the merger agreement are also required to be approved at the class shareholders meetings for each class of UFJ Holdings shares, namely the common shares and the class I, class II, class IV, class V, class VI and class VII preferred shares, by the affirmative vote of two-thirds of the issued shares of the relevant class with voting rights represented at each class shareholders meeting. The required quorum at the common share class shareholders meeting is a majority of the issued common shares with voting rights, and the required quorum at each of the preferred class shareholders meetings is a majority of the total issued shares with voting rights for the relevant class of preferred shares.

Use of Voting Cards

Holders of shares of common stock entitled to exercise voting rights at the annual general meeting of shareholders may exercise their voting rights by using the voting card that will be distributed by mail to those holders or their standing proxies in Japan.

Voting cards will allow shareholders to indicate a for or against vote with respect to each proposal to be voted on at the meeting, including approval of the terms of the merger agreement. The face of each voting card will state that if the voting card is returned without indicating a vote for or against any of the proposals referred to in the voting card, the shares represented by that voting card will be deemed to have voted in favor of those proposals.

In accordance with applicable Japanese law and practice, UFJ Holdings intends to:

- count toward the quorum requirements for its shareholders meeting any shares represented by voting cards that are returned to it, including voting cards that do not indicate a for or against vote for any of the proposals; and
- count the shares represented by voting cards without indicating a for or against vote for any of the proposals as votes in favor of approval of the terms of the merger agreement and the other proposals referred to in the voting cards.

Internet Voting

A UFJ Holdings shareholder is entitled to exercise voting rights through the Internet by accessing UFJ Holdings website and inputting an exercise code and password. Internet voting is available only on UFJ Holdings Japanese-language website.

Revocation

Any person who votes by the Internet or who submits a voting card may revoke the vote by voting in person, or through another shareholder who has voting rights and who is appointed as that person s attorney-in-fact and present, at the annual general meeting of shareholders. A shareholder may also change a vote previously submitted via the Internet or a voting card by submitting a subsequent vote via the Internet. If a shareholder submits more than one vote via the Internet, the last vote submitted will be counted.

No Solicitation of Proxies, Consents or Authorizations

UFJ Holdings will not solicit any separate form of proxy, consent or authorization from the mail-in voting cards distributed in accordance with the Commercial Code of Japan. MTFG and UFJ Holdings have, however, retained Innisfree M&A Incorporated and Georgeson Shareholder Communications Inc. as their respective agents for the purpose of soliciting overseas shareholders approval of the merger.

Agenda

The following proposals are expected to be presented at the annual general meeting of shareholders:

- special resolution approving the merger agreement between MTFG and UFJ Holdings, including resolutions electing the directors and corporate auditors of the combined entity, as nominated jointly by MTFG and UFJ Holdings; and

- special resolution amending UFJ Holdings articles of incorporation.

Table of Contents

THE MERGER

This section of the prospectus describes material aspects of the proposed merger, including the integration agreement and the merger agreement. The summary may not contain all of the information that is important to you. You should carefully read this entire prospectus for a more complete understanding of the merger. You may obtain additional information about MTFG and UFJ Holdings included in the registration statement on Form F-4 filed with the SEC without charge by following the instructions in the section entitled Where You Can Obtain More Information.

General

Holders of record of UFJ Holdings common stock having voting rights as of March 31, 2005 will receive a notice of convocation of the annual general meeting of shareholders of UFJ Holdings, including the voting materials that contain the terms and conditions of the merger agreement. Shareholders outside Japan who have a standing proxy in Japan will receive the materials through their standing proxies in Japan. Shareholders outside Japan who purchased UFJ Holdings shares through a broker located outside Japan can ask their broker to obtain the notice of convocation from the broker s standing proxy or custodian in Japan, or to otherwise make proper arrangements.

An English translation of the integration agreement, dated February 18, 2005, and the amendment to the integration agreement, dated April 20, 2005, is included in this prospectus as Annex A. An English translation of the merger agreement, dated April 20, 2005, is included in this prospectus as Annex B.

Background to the Merger

Overview

In recent years, the deregulation of the Japanese financial markets, structural reforms in the regulation of the financial industry, difficult market conditions and an increasingly rigorous regulatory climate have resulted in dramatic changes for Japanese banks. Deregulation and structural reforms in the financial industry have increased competition for many Japanese banks from both other financial institutions and new market entrants. Meanwhile, adverse market conditions in many sectors of the Japanese economy have exacerbated asset quality problems and led to a marked deterioration in the financial condition and capital base of many Japanese banks.

Deregulation and structural reforms in the financial industry have eliminated barriers between different types of Japanese financial institutions, thereby intensifying the competition for many Japanese banks. For example, under the new regulatory framework, not only are banks permitted to engage in the securities business by establishing or otherwise owning domestic and overseas securities subsidiaries with the approval of the Financial Services Agency, other financial institutions such as securities and insurance companies are permitted to engage in new areas of permissible activities. New market entrants have begun to offer various banking services, often through non-traditional distribution channels. These structural changes have also facilitated the entry and expansion of various large foreign financial institutions in the Japanese domestic market.

The foregoing developments, along with the 1998 amendment to the Banking Law of Japan that allowed the establishment of bank holding companies, have been a major factor behind the consolidation and reorganization of Japanese banks and financial institutions, as many major Japanese banks decided to merge or reorganize their operations to maintain their competitiveness and financial stability. These include the predecessor institutions to MTFG and UFJ Holdings. This continuing industry-wide consolidation in the Japanese banking sector has in turn further increased competition.

The Japanese government s efforts to reduce non-performing loans have led to a marked deterioration in the financial condition and capital base of many Japanese banks. Continued financial difficulties facing borrowers in many sectors of the Japanese economy, as evidenced in part by the high level of recent corporate restructurings and bankruptcies in Japan, and continuing declines in real estate prices have also increased asset quality problems for Japanese banks and forced them to record additional write-offs and agree to loan forgiveness proposals.

Table of Contents

The management of MTFG and UFJ Holdings have continually monitored the position of their respective banking groups in light of the changing competitive environment of the Japanese banking industry, the Japanese government s stance on problem loans and other regulatory developments and market conditions in order to determine available options for increasing their competitiveness and enhancing shareholder value.

UFJ Holdings Recent Regulatory Problems and Financial Difficulties

In this uncertain economic environment in Japan, the Financial Services Agency has, since 2000, undertaken a series of inspections focusing in particular on the classification of large borrowers by Japan s major banking institutions. The Financial Services Agency also established a requirement, in its program for financial revival announced in October 2002, that major banks reduce by half their percentage of non-performing loans as disclosed under Japanese banking regulation by March 2005. As they worked to address large troubled borrowers, most major Japanese banks recorded large net losses under Japanese GAAP for the years ended March 31, 2002 and 2003.

Over the course of their continuing inspections in 2004, the Financial Services Agency determined that the management of UFJ Bank had obstructed the Financial Services Agency s investigation into the classification of certain of these borrowers by systematically withholding relevant information on the borrowers financial condition and falsely responding to requests for information from inspectors. In June 2004, the Financial Services Agency issued a series of administrative orders that highlighted the need to strengthen the operations and internal controls of UFJ Bank to respond appropriately to the Financial Services Agency s inspections. As part of its response to the administrative orders, UFJ Bank strengthened its internal audit department, including through the establishment of a specific team dedicated to the evaluation of large borrowers.

The causes of the administrative orders and continuing losses led to the resignation of the top management of UFJ Holdings, UFJ Bank and UFJ Trust Bank. Subsequently, in October 2004, the Financial Services Agency filed criminal indictments against UFJ Bank and former members of its management with the Tokyo District Public Prosecutors Office. At the same time, the Financial Services Agency ordered the suspension of loan origination for new customers by UFJ Bank s Tokyo corporate office and Osaka corporate office for the period from October 18, 2004 to April 17, 2005. In conjunction with these indictments, the Tokyo District Public Prosecutors Office announced in December 2004 that it would seek to prosecute UFJ Bank, its former executives and a former employee on suspicion of violations of the Banking Law. On April 25, 2005, UFJ Bank and its former executives were convicted of breaches of the Banking Law. UFJ Bank was fined ¥90 million, a former executive officer was sentenced to ten months imprisonment with a stay of execution for three years and two other former executive officers were sentenced to eight months imprisonment with a stay of execution for three years.

During the year ended March 31, 2004, UFJ Bank continued to have a highly concentrated exposure to a limited number of borrowers undergoing restructuring, even in comparison to Japan s other major banks. In the course of addressing large troubled borrowers, UFJ Holdings made further downward revisions to its previous estimates of its Japanese GAAP results for the year ended March 31, 2004 and on May 24, 2004 announced large additional losses in its Japanese GAAP financial statements with respect to the year ended March 31, 2004. The additional losses recorded by UFJ Holdings and the continuing restructuring of major borrowers created a significant risk that UFJ Holdings would be unable to maintain the 8% capital adequacy ratio (calculated in accordance with Japanese banking regulations and based on Japanese GAAP financial statements) required of Japanese banks with international operations as of September 30, 2004. In evaluating the risks such a failure would entail for UFJ Holdings and its shareholders in preparing the required update to its business revitalization plan, the management of UFJ Holdings concluded that significant strengthening of the capital base of UFJ Holdings before September 30, 2004 was of utmost importance. As a result, UFJ Holdings began actively studying options to improve its financial condition, including through the sale of assets, a business combination or the issuance of securities.

Table of Contents

Discussions of Transfer of UFJ Trust Bank to Sumitomo Trust & Banking Co. Ltd.

UFJ Holdings announced on May 21, 2004 that it had reached a basic agreement to transfer the operations of UFJ Trust Bank, other than its corporate lending business, to Sumitomo Trust & Banking Co., Ltd. or a trust bank to be newly incorporated by Sumitomo Trust as its wholly owned subsidiary. The parties also agreed that, subject to further negotiations, UFJ Holdings would make a preferred share investment in the new trust bank and that UFJ Bank and UFJ Trust Bank would become exclusive agents for Sumitomo Trust and the new trust bank. The parties also agreed not to provide information to any third party or hold any discussions with any third party regarding any transaction that might conflict with the purpose of the basic agreement between UFJ Holdings and Sumitomo Trust. UFJ Holdings and its advisers then engaged in a process of due diligence and negotiation of terms with Sumitomo Trust. In the course of those negotiations the management of UFJ Holdings concluded that the proposed transaction with Sumitomo Trust would likely be insufficient to address the increasing risk UFJ Holdings faced with respect to maintaining its capital adequacy ratio above required levels as of September 30, 2004. Following a series of internal meetings in early July 2004, the management of UFJ Holdings presented these conclusions to the board of directors. UFJ Holdings informed Sumitomo Trust of its decision to terminate further discussions on July 13, 2004.

Discussions of Business Integration between MTFG and UFJ Holdings

On July 14, 2004, MTFG received a request from UFJ Holdings to discuss the possibility of integrating the management of the two financial groups. On July 16, 2004, MTFG President and CEO Nobuo Kuroyanagi and UFJ Holdings President and CEO Ryosuke Tamakoshi announced that they had agreed to commence discussions regarding the possible integration of MTFG and UFJ Holdings. In connection with the commencement of discussions regarding a management integration, MTFG and UFJ Holdings signed a memorandum of understanding, which, among other things, contained MTFG s commitment to commence negotiations toward the management integration and to cooperate in strengthening UFJ Holdings capital. The board of directors of UFJ Holdings met on July 16, 2004 to approve the execution of the memorandum of understanding.

On July 16, 2004, Sumitomo Trust filed a preliminary injunction against UFJ Holdings, UFJ Bank and UFJ Trust Bank to prevent the UFJ group from engaging in discussions with MTFG, alleging that UFJ Holdings, UFJ Bank and UFJ Trust Bank had a legal obligation under the basic agreement with Sumitomo Trust not to hold discussions relating to the transfer of the relevant business operations of UFJ Trust Bank with any party other than Sumitomo Trust, and that such basic agreement remained in force despite the termination notice from UFJ Holdings, UFJ Bank and UFJ Trust Bank.

On July 27, 2004, discussions on the proposed management integration were postponed temporarily due to a ruling by the Tokyo District Court granting a preliminary injunction in favor of Sumitomo Trust against UFJ Holdings, UFJ Bank and UFJ Trust Bank, reasoning that the basic agreement, including the exclusivity clause, remained in force, the exclusivity clause provided sufficient legal basis for the preliminary injunction order, and the granting of the preliminary injunction was necessary. The preliminary injunction prevented UFJ Holdings from engaging in discussions with any third party involving the merger or sale of UFJ Trust Bank. UFJ Holdings, UFJ Bank and UFJ Trust Bank filed an objection against the ruling on July 28, 2004.

On August 4, 2004, the Tokyo District Court approved its previous preliminary injunction ruling dated July 27, 2004 in favor of Sumitomo Trust preventing UFJ Holdings from engaging in discussions with any third party involving the merger or sale of UFJ Trust Bank. UFJ Holdings, UFJ Bank and UFJ Trust Bank appealed this ruling to the Tokyo High Court.

On August 11, 2004, the Tokyo High Court overturned the Tokyo District Court s August 4, 2004 ruling, reasoning that the exclusivity clause had become null and void as of August 10, 2004 at the latest due to the loss of mutual trust among the parties. Immediately after the Tokyo High Court s decision, MTFG, UFJ Holdings, Bank of Tokyo-Mitsubishi and UFJ Bank concluded a basic agreement relating to MTFG s cooperation in strengthening UFJ Holdings capital by September 30, 2004.

Table of Contents

On August 12, 2004, MTFG, UFJ Holdings, Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust Bank, UFJ Trust Bank, Mitsubishi Securities Co., Ltd. and UFJ Tsubasa Securities Co., Ltd. also concluded a basic agreement with regard to the management integration of the holding companies, banks, trust banks, and securities companies of the two groups. The board of directors of UFJ Holdings met on August 11 and 12 to discuss and approve the terms of the agreement.

On August 20, 2004, MTFG and UFJ Holdings announced the establishment of the Integration Committee and the Group Integration Policy. The Integration Committee assumed responsibility for coordinating business and management strategy between MTFG and UFJ Holdings and for overseeing the ongoing negotiations and due diligence process relating to the planned capital injection and wider business integration. The board of directors of UFJ Holding met on August 20, 2004 to discuss and approve the formation of the Integration Committee.

On August 24, 2004, UFJ Holdings received a management integration proposal from Sumitomo Mitsui Financial Group, Inc. The terms of the proposal included a merger ratio of one share of Sumitomo Mitsui Financial Group common stock for each share of UFJ Holdings common stock, which represented an approximately 30% premium to shareholders of UFJ Holdings based on the recent share prices of the two companies. Sumitomo Mitsui Financial Group also stated a willingness to make a capital injection of up to ¥700 billion into UFJ Holdings by September 30, 2004 and that its offer regarding the integration ratio would remain valid until September 24, 2004. The offer was subject to conduct of due diligence. UFJ Holdings announced that it had not changed its basic policy of pursuing a management integration with MTFG, and that it would review Sumitomo Mitsui Financial Group s proposal.

On August 27, 2004, Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust Bank, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities established Bank, Trust and Securities Integration Committees, as well as various sub-committees, to address details relating to the management integration of the commercial banks, trust banks and the securities companies of the two groups. The board of directors of UFJ Holdings met on August 27, 2004 to discuss and approve the establishment of the additional integration committees, and to receive a report from management on the progress of integration discussions.

On August 30, 2004, the Supreme Court of Japan confirmed and upheld the conclusion of the August 11, 2004 ruling of the Tokyo High Court. While the Tokyo High Court had ruled that the exclusivity clause had become null and void, the Supreme Court based its decision on the reasoning that there was no need to grant a preliminary injunction.

On August 30, 2004, UFJ Holdings received a proposal from Sumitomo Mitsui Financial Group regarding the provision of a capital injection to UFJ Holdings. UFJ Holdings announced that it would review Sumitomo Mitsui Financial Group s proposal with the help of its advisors. In the offer, Sumitomo Mitsui Financial Group reaffirmed its willingness to make a capital injection of up to ¥700 billion and proposed that it take the form of convertible preferred stock of UFJ Holdings. Sumitomo Mitsui Financial Group stated that it would refrain from conversion during any period following execution of an integration agreement between the groups. The offer remained subject to conduct of due diligence.

At a series of board meetings between August 30, 2004 and September 10, 2004, the directors of UFJ Holdings received reports from management as to the progress of negotiations of the capital injection from MTFG and the overall integration with MTFG. At such meetings, the board also evaluated the potential for raising capital from other sources, including through the offer extended by Sumitomo Mitsui Financial Group, and the negative consequences to UFJ Holdings and its shareholders of failing to complete a transaction by September 30, 2004. The UFJ Holdings board on September 10, 2004 unanimously approved the capital injection from MTFG and the continuation of the overall integration process with MTFG. On September 10, 2004, MTFG and UFJ Holdings and UFJ Bank concluded an agreement, based on the basic agreement announced on August 11, 2004, regarding MTFG s cooperation in strengthening the UFJ group s capital. Under the terms of the agreement, MTFG agreed to purchase ¥700 billion of Series 1 class E preferred shares from UFJ Bank. On

65

Table of Contents

September 17, 2004, the capital injection of ¥700 billion announced on September 10, 2004 was completed. Significant terms of the preferred shares issued are discussed under Related Transactions below. The preferred shares include put and call features that are intended to give the boards of directors of both of the parties the flexibility to fulfill their fiduciary duties. The preferred shares include put features that are intended to enable MTFG to avoid a deadlock situation and call features that are intended to provide UFJ Holdings the flexibility to consider other third party offers, in each case, if the integration between MTFG and UFJ Holdings is ultimately not approved. The 30% premium payable under certain circumstances, which was agreed upon by both parties to account for various factors in the case of a redemption, would result in increased acquisition costs to a third party.

UFJ Holdings did not engage in direct discussions with Sumitomo Mitsui Financial Group prior to concluding the September 10th agreement with MTFG. As discussed below under Determination of UFJ Holdings Board of Directors, UFJ Holdings recognized the Sumitomo Mitsui Financial Group s proposed merger ratio represented a premium to its shareholders but determined that the execution risks of interrupting its negotiations with MTFG and attempting to begin discussions with Sumitomo Mitsui Financial Group as well as the expected severe consequences if UFJ Holdings failed to secure a capital injection by September 30, 2004 outweighed any potential benefits of pursuing the alternate transaction. UFJ Holdings also concluded that an integration with Sumitomo Mitsui Financial Group would create long-term uncertainty about the financial condition of the combined group as it would have much higher levels of public funds included in capital, deferred tax assets and non-performing loans than if UFJ Holdings merged with MTFG.

On September 24, 2004, UFJ Holdings received a letter from Sumitomo Mitsui Financial Group extending the deadline for replying to Sumitomo Mitsui Financial Group s August 24, 2004 merger proposal to June 2005. UFJ Holdings announced that it had not changed its basic policy of pursuing a management integration with MTFG, and that it was still reviewing Sumitomo Mitsui Financial Group s merger proposal.

On October 28, 2004, Sumitomo Trust filed a lawsuit in the Tokyo District Court against UFJ Holdings, UFJ Bank and UFJ Trust Bank, claiming that it had exclusive rights to hold long-term negotiations with UFJ Holdings regarding any acquisition of UFJ Trust Bank, and therefore MTFG and UFJ Holdings should halt talks on merging their trust bank operations.

From the end of October 2004, MTFG and UFJ Holdings conducted legal, financial and business due diligence on each other s operations.

On January 31, 2005, the board of UFJ Holdings convened a special meeting, which was also attended by members of senior management, as well as outside legal and financial advisors. The board received reports from management on the results of their due diligence review of MTFG. The board discussed and confirmed with management and the legal and financial advisors the company s strategic objectives and conditions in negotiating a merger ratio and related terms of the integration agreement.

On February 4, 2005, the board of UFJ Holdings reconvened and the board reconfirmed with management and the legal and financial advisors to UFJ Holdings the objectives they had discussed in their meeting of January 31, 2005 and requested that management and the financial advisors prepare detailed financial analyses to inform their deliberations as soon as practicable following provision by UFJ Holdings and MTFG of all information necessary for the financial advisors to perform their financial analyses.

Between February 4 and February 13, 2005, UFJ Holdings and MTFG negotiated the terms of the integration agreement.

On February 14, 2005, the UFJ Holdings board of directors held a special meeting and received management s report on the status of negotiations. The board also reviewed and discussed analyses of the expected synergies from the merger prepared by management, received the joint report of JPMorgan and Merrill Lynch summarizing their financial analyses and discussed with the legal advisors to UFJ Holdings the legal standards applicable to the board s decision and the proposed terms of the integration agreement. JPMorgan and Merrill Lynch did not, and were not asked to, opine as to any proposed merger ratio at this meeting.

Between February 14 and February 18, 2005, UFJ Holdings and MTFG continued to negotiate on the merger ratio and other terms of the integration agreement.

On February 18, 2005, the UFJ Holdings board of directors held a special meeting to consider the proposed final terms of the integration agreement. At this meeting, which was also attended by members of senior management, and outside legal and financial advisors, management reviewed with the board of directors the strategic considerations relating to the transaction and the progress of the negotiations regarding the merger ratio. JPMorgan and Merrill Lynch reviewed their joint financial analyses regarding the proposed merger ratio with the board and rendered to the board their respective oral opinions (subsequently confirmed in writing) that, as of that date of their respective opinions and based on and subject to the considerations in their respective written opinions, the proposed merger ratio was fair, from a financial point of view, to holders of UFJ Holdings common stock. Following further review and discussion among the members of the UFJ Holdings board of directors, the board of directors voted unanimously to approve the integration agreement with MTFG.

On the same day, the MTFG board of directors also held a special meeting to consider the terms of the integration agreement including the merger ratio with its outside legal and financial advisors present. The board reviewed and discussed the negotiation process and terms of the integration agreement, as well as the results of the financial and legal due diligence on UFJ Holdings, management s views of the expected strategic benefits and synergies of the integration and the analysis of the merger ratio conducted by the financial advisors. The financial advisors, Nomura Securities Co., LTD, Morgan Stanley Japan Limited and Lazard Frères & Co. LLC, rendered to the board and solely for the board s benefit their respective written opinions, stating that as of the date of their respective opinions and based on and subject to the assumptions and qualifications in each opinion the merger ratio with respect to MTFG common stock and UFJ Holdings common stock was fair from a financial point of view to MTFG. The financial advisors opinions did not express any opinion or recommendation as to how holders of MTFG common stock or UFJ common stock should vote at the shareholders meetings to be held in connection with the merger. After overall review and discussion, the MTFG board of directors unanimously approved the merger ratio and the execution of the integration agreement.

On February 25, 2005, UFJ Holdings received a notice from Sumitomo Mitsui Financial Group stating that it had withdrawn its previous proposal for integration with UFJ Holdings and its previously proposed merger ratio.

After the execution of the integration agreement, MTFG and UFJ Holdings continued to consider and discuss the remaining issues for the new combined entity, including proposed changes to the articles of incorporation, the members of the combined entity s board of directors and corporate auditors, and other terms and conditions to be set forth in the final merger agreement.

On April 20, 2005, the UFJ Holdings board of directors held a special meeting to consider the proposed amendments to the integration agreement and the merger agreement. Members of senior management and outside legal and financial advisors also attended this meeting. JPMorgan and Merrill Lynch reviewed their updated joint financial analysis regarding the proposed merger ratio with the board and rendered to the board their respective oral opinions (subsequently confirmed in writing) that, as of that date and based on and subject to the considerations in their respective written opinions, the proposed merger ratio was fair, from a financial point of view, to holders of UFJ Holdings common stock. Following further review and discussion among the members of the UFJ Holdings board of directors, the board of directors voted unanimously to approve the amendments to the integration agreement and the merger agreement. On the same day, the respective boards of directors of UFJ Bank, UFJ Trust Bank and UFJ Tsubasa Securities approved the amended integration agreement and their respective merger agreements.

On the same day, the MTFG board of directors also held a special meeting to consider the proposed amendments to the integration agreement and the proposed terms of the merger agreement, including those terms which had not been set forth in the integration agreement with financial advisors present. The board also reviewed and discussed the updated analyses of the merger ratio conducted by its financial advisors, and received from each of its financial advisors, Nomura Securities Co., Morgan Stanley Japan and Lazard Freres, a written opinion that, as of April 20, 2005 and based on and subject to the assumptions and qualifications in each opinion, confirmed that the merger ratio with respect to MTFG common stock and UFJ Holdings common stock which had been agreed pursuant to the merger agreement, was fair from a financial point of view to MTFG. The financial advisors opinions were rendered to the board solely for the board s benefit and did not express any opinion or recommendation as to how holders of MTFG common stock or UFJ Holdings common stock should vote at the shareholders meetings to be held in connection with the merger. After overall review and discussion, the MTFG board of directors unanimously approved the amendments to the integration agreement and the execution of the merger agreement. On the same day, the respective boards of directors of Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Mitsubishi Securities approved the amended integration agreement and their respective merger agreements.

Also on April 20, 2005, with the approval of their respective boards of directors, MTFG and UFJ Holdings entered into a merger agreement setting forth the final terms of the merger. Merger agreements were also executed between each of MTFG and UFJ Holdings bank, trust bank and securities company subsidiaries, and the integration agreement was amended to make the terms used therein consistent with these merger agreements between MTFG s and UFJ Holdings subsidiaries. Furthermore, MTFG, UFJ Holdings and their respective bank, trust bank and securities company subsidiaries agreed on and announced the corporate governance and organizational structure for the combined group.

Reasons for the Merger

As the needs of customers in Japan and abroad diversify and become increasingly sophisticated, MTFG and UFJ Holdings aim, through the merger, to create a leading comprehensive financial group that is competitive on a global basis and provides a broad range of financial products and services to a worldwide client base. MTFG and UFJ Holdings believe that their business operations and domestic and global branch networks are highly complementary. By leveraging the respective strengths of each group, creating synergies through the merger and reinforcing a customer-focused management philosophy, the combined entity will seek to become Japan s premier comprehensive global financial group. The combined entity will have what the parties believe is the largest market value among Japanese financial institutions, and it will be the largest bank in the world when measured by assets. The combined entity will also have a strong presence in core financial business areas, including:

- banking;
- trust banking;
- securities;
- investment trusts;
- credit cards and consumer finance;
- leasing; and
- international banking.

Specifically, the merger will enable the combined entity to leverage the two groups industry-leading domestic and overseas networks and comprehensive financial services capabilities to provide new ideas, strategies and competitive products to large corporate customers. With respect to small- and medium-sized corporate customers, the merger will strengthen the combined entity s lineup of lending-related products and services and enable it to adopt a more regionally focused sales approach. With regard to individual customers, the combined entity will aim to improve customer convenience through the provision of one-stop shopping while fully mobilizing the two groups combined strengths to provide high-quality financial products and services matched to customer needs.

MTFG believes that the proposed merger with UFJ Holdings would enable MTFG to further its goal of becoming a comprehensive, globally competitive financial group for several reasons, including:

- UFJ Holdings competitive position in Japan s Nagoya and Osaka metropolitan areas is highly complementary to MTFG s domestic network, which is primarily focused in the Tokyo metropolitan region; and

Table of Contents

- UFJ Holdings client base of small- and medium-sized enterprises and retail customers complements MTFG s primarily corporate client base, facilitating the development of diverse products and services and a more focused sales approach.

In agreeing to the proposed merger terms, UFJ Holdings particularly considered that:

- a merger with MTFG is attractive from a financial condition perspective because MTFG
  - is alone among Japan s four largest banking groups in having repaid all public funds, and
  - has a lower problem loan ratio and lower ratio of deferred tax assets to Tier I capital than Japan s other major banking groups;
- MTFG s strengths in the Tokyo metropolitan area and overseas markets complement UFJ Holdings prominent position in the Nagoya and Osaka metropolitan areas; and
- MTFG s corporate client base is complementary to the focus of UFJ Holdings on retail customers and small- and medium-sized enterprises.

UFJ Holdings believes the combined entity will have a stronger presence with large corporate clients in Japan and in overseas markets than UFJ Holdings currently enjoys.

Competitive Strengths

MTFG and UFJ Holdings believe that the integration of the two groups will result in the following significant competitive advantages for the combined entity, which are described in greater detail in Business Business Strategy of Mitsubishi UFJ Financial Group Competitive Strengths of the Combined Entity:

- Japan s pre-eminent global banking network.
- Strong business foundation based on retail deposits and diverse customer base.
- Strong financial and capital base.
- Highly complementary businesses and networks.
- Strong corporate governance and transparency.

Determination of UFJ Holdings Board of Directors

On February 18, 2005 the board of directors of UFJ Holdings unanimously determined that the integration agreement and related transactions were advisable and in the best interests of UFJ Holdings and its shareholders. On April 20, 2005, the board of directors of UFJ Holdings unanimously determined that the amendments to the integration agreement and the merger agreement were advisable and in the best interests of UFJ Holdings and its shareholders. Over the course of negotiations leading up to this decision, the UFJ Holdings board of directors consulted with management as well as financial and legal advisors. Throughout this process, the board of directors of UFJ Holdings sought both to secure the financial condition of UFJ Holdings and to enter into a business combination that would offer long-term strategic benefits to UFJ Holdings and its shareholders. The UFJ Holdings board believes that the merger with MTFG will offer significant benefits in both respects.

With respect to financial condition, the board considered that MTFG:

- is alone among Japan s four largest banking groups in having repaid all public funds, and
- has a lower problem loan ratio and lower ratio of deferred tax assets to Tier I capital than Japan s other major banking groups.

With respect to long-term strategic opportunities, the board considered that:

- MTFG s strengths in the Tokyo metropolitan area and overseas markets complement UFJ Holdings prominent position in the Chubu and Kansai regions of Japan,

Table of Contents

- MTFG s corporate client base is complementary to the focus of UFJ Holdings on retail customers and small- and medium-sized enterprises, and
- the integration committee established by the two groups has developed plans for the realization of cost savings and revenue enhancements following the merger.

At the time of approving the integration and merger agreements, the board of UFJ Holdings also considered the following factors as generally supporting its decision to enter into the agreement:

- its understanding of the businesses, operations, financial condition, earnings and prospects of both UFJ Holdings and MTFG (including the report of management of UFJ Holdings on the results of their due diligence review of MTFG and its subsidiaries),
- its understanding of the current and prospective economic, market and industry environment in which UFJ Holdings and MTFG operate, including global, national and local economic conditions, and the changing competitive landscape for financial services in Japan, including the trend toward consolidation,
- the implied value of the merger ratio provided for in the agreements relative to the current and historical trading prices of the common stock of each of UFJ Holdings and MTFG and relative to the valuation analyses prepared by JPMorgan and Merrill Lynch of comparative valuations for each of UFJ Holdings and MTFG and the theoretical value created by the merger for the holders of UFJ Holdings common shares,
- the opinions delivered to the UFJ Holdings board of directors by each of JPMorgan and Merrill Lynch on February 18, 2005 and again on April 20, 2005 to the effect that, as of the dates of the opinions and based upon and subject to the assumptions and considerations in their respective opinions, the proposed merger ratio was fair, from a financial point of view, to the holders of UFJ Holdings common stock,
- the complementary nature of the businesses of UFJ Holdings and MTFG and the potential synergies as noted above, and
- the applicable provisions in the integration and merger agreements that the key leadership of the combined entity after completion of the merger will be drawn from senior executives from each of UFJ Holdings and MTFG.

Although, based on UFJ Holdings and MTFG s net income projections for the year ending March 31, 2006, an analysis of price to earnings ratios of comparable companies included in the two board presentations by Merrill Lynch and JPMorgan indicated a range higher than the proposed merger ratio, a similar price to earnings ratio analysis using the companies net income projections for the year ending March 31, 2007 indicated a range that included the proposed merger ratio. The financial advisors also performed contribution analyses using various financial measures. Although the contribution analyses using projections of net income of both the respective companies management and the Institutional Brokers Estimate System for the years ending March 31, 2006 and 2007, as well as the actual BIS capital of the two companies as of December 31, 2004, suggested a contribution from UFJ Holdings greater than that implied by the proposed merger ratio, the contribution analyses using the two companies book values as of December 31, 2004, adjusted book values as of September 30, 2004 and market capitalization as of April 19, 2005 suggested a contribution lower than that implied by the proposed merger ratio. The UFJ Holdings board of directors considered the financial advisors analyses as a whole to be supportive of the fairness, from a financial point of view, of the proposed merger ratio to the holders of UFJ Holdings common stock and to be supportive of its determination that the merger is advisable and in the best interests of UFJ Holdings and its shareholders.

In August and September of 2004, following the announcement of integration discussions with MTFG, UFJ Holdings received Sumitomo Mitsui Financial Group s unsolicited proposal for both a capital injection and a merger. At the time of approving a ¥700 billion issuance of UFJ Bank preferred stock to MTFG on September 10, 2004, the UFJ Holdings board of directors considered the potential benefit to UFJ Holdings shareholders from the specific merger ratio then proposed by Sumitomo Mitsui Financial Group, as well as the risk of issuing preferred stock, which includes put rights that could discourage other merger partners, to MTFG without an agreed merger ratio with MTFG, against:

- the relatively higher certainty of receiving a capital injection from MTFG and the overall progress in negotiations with MTFG,
- the execution risk of beginning discussions with a new counterparty with no guarantee of success,
- the potential severity of the financial risk to UFJ Holdings and its shareholders of not securing additional capital prior to September 30, 2004 and the very limited time available, and
- relative strategic disadvantages of a combination with Sumitomo Mitsui Financial Group, including:
  - uncertainty that would be created by a combined entity s high dependence on public funds and deferred tax assets, and
  - greater customer and geographic overlap that might limit growth opportunities.

Based on all the information available at that time, the board of UFJ Holdings decided to agree to the capital injection from MTFG and continue integration discussions with MTFG. In the course of considering approval of the integration agreement, the board of UFJ Holdings confirmed its belief that integration with MTFG continues to offer greater strategic benefits and that UFJ Holdings has, following the conduct of due diligence and easing of market concerns around its financial condition, been able to agree to a merger ratio that it considers advisable and in the best interests of UFJ Holdings and its shareholders. The directors of UFJ Holdings considered that the one-to-one ratio initially proposed by Sumitomo Financial Group represented a premium to UFJ Holdings shareholders of approximately 25% as of February 18, 2005, higher than the 6% premium represented by the merger ratio with MTFG, but also continued to believe that the financial condition challenges a combined UFJ Holdings and Sumitomo Mitsui Financial Group would face would create greater risks and uncertainties for long-term shareholders than a combination with MTFG. Press reports concerning the asset quality of Sumitomo Mitsui Financial Group and Sumitomo Mitsui s integration discussions with Daiwa Securities also strengthened the board s belief that integration discussions with Sumitomo Mitsui Financial Group would entail greater uncertainty and execution risk.

Between February 18, 2005 and the board s consideration of the merger agreement on April 20, 2005, Sumitomo Mitsui Financial Group formally withdrew its proposal.

The UFJ Holdings board of directors also considered potential risks associated with the merger with MTFG in connection with its deliberations regarding the integration and merger agreements, including:

- the challenges of integrating the businesses, operations and workforces of the two groups, both of which are large and complex financial institutions,
- the risk that anticipated cost savings and other expected synergies may not be achieved,
- the costs that are expected to be incurred in connection with completing the merger, and

- that the fixed merger ratio would not be adjusted for subsequent changes in the market prices of the shares of UFJ Holdings and MTFG.

As discussed in the risk factor entitled The merger may be a taxable exchange for U.S. federal income tax purposes, and U.S. holders of UFJ Holdings common shares may recognize gain or loss on the exchanges of UFJ Holdings common shares for MTFG common shares, there is also a risk that the receipt of MTFG shares in the proposed merger will be taxable to UFJ Holdings U.S. shareholders. Due in part to the fact that an analysis of MTFG s and UFJ Holdings current shareholders indicated that the transaction would not be taxable, the presence of tax exempt investors among UFJ Holdings U.S. shareholders and uncertainty as to the tax basis of any taxable U.S. shareholders, the tax treatment in jurisdictions other than Japan was not a material consideration in connection with the merger.

In view of the wide variety of factors considered in connection with its evaluation of the integration and merger agreements and the complexity of these matters, the UFJ Holdings board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the UFJ Holdings board may have given different weight to different factors. The UFJ Holdings board conducted an overall analysis of the factors described above, including discussions with management and the legal and financial advisors of UFJ Holdings, and considered the factors overall to be favorable to, and to support, its determination. The UFJ Holdings board also relied on the experience and expertise of JPMorgan and Merrill Lynch, its financial advisors, for quantitative analyses of the financial terms of the merger. See Advice of UFJ Holdings Financial Advisors below.

Advice of UFJ Holdings Financial Advisors

Opinions of Merrill Lynch

Merrill Lynch Japan Securities Co., Ltd. has acted as one of the financial advisors to UFJ Holdings in connection with the merger and has assisted the board of directors of UFJ Holdings in its examination of the fairness, from a financial point of view, of the merger ratio to the holders of UFJ Holdings common shares.

On February 18, 2005, the date of the integration agreement, Merrill Lynch rendered its oral opinion in Japanese to the board of directors of UFJ Holdings that, based upon and subject to the factors and assumptions set forth in its written opinion, matters considered and limits of review set forth therein, as of such date, the merger ratio was fair, from a financial point of view, to the holders of UFJ Holdings common shares. Merrill Lynch confirmed its oral opinion by delivering to UFJ Holdings board of directors a written opinion, in Japanese, dated February 18, 2005.

On April 20, 2005, the date of the merger agreement, Merrill Lynch rendered its oral opinion in Japanese to the board of directors of UFJ Holdings that, based upon and subject to the factors and assumptions set forth in its written opinion, matters considered and limits of review set forth therein, as of such date, the merger ratio was fair, from a financial point of view, to the holders of UFJ Holdings common shares. Merrill Lynch confirmed its oral opinion by delivering to UFJ Holdings board of directors a written opinion, in Japanese, dated April 20, 2005.

The full text of English translations of each of Merrill Lynch s opinions, dated February 18, 2005 and April 20, 2005, which contain many of the assumptions Merrill Lynch made, the matters it considered and the limitations on the review it undertook in connection with the delivery of each of its opinions, are included in Annexes H and J, respectively, to this prospectus and are incorporated by reference into this prospectus. Merrill Lynch consented to the use of and reference to such opinions in this prospectus, pursuant to the terms of the Consents of Merrill Lynch Japan Securities Co., Ltd. filed as Exhibit 99.4 to this prospectus. Merrill Lynch s opinions are directed to the board of directors of UFJ Holdings and address only the fairness of the merger ratio from a financial point of view to the holders of UFJ Holdings common shares as of their respective dates. They do not address any other aspect of the merger and do not constitute a recommendation to any UFJ Holdings shareholder as to how that shareholder should vote at the general meeting of the shareholders with respect to the proposed merger or any other matter. They also do not express any opinion as to the prices at which the common shares of UFJ Holdings or the common shares of MTFG will trade following the announcement of the merger ratio nor the prices at which the common shares of the combined entity will trade following the consummation of the merger. In addition, UFJ Holdings board of directors did not ask Merrill Lynch to address, and the opinions do not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of UFJ Holdings, other than the holders of the UFJ Holdings common shares. The following summaries of Merrill Lynch s opinions set forth below are qualified in their entirety by reference to the full text of such opinions. The holders of UFJ Holdings common shares are urged to read the Merrill Lynch opinions carefully and in their entirety.

In connection with each of its opinions, Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to UFJ Holdings and MTFG that Merrill Lynch deemed to be relevant;

- reviewed certain information, including financial forecasts, relating to the businesses, earnings, cash flow, assets, liabilities and prospects of UFJ Holdings and MTFG furnished to Merrill Lynch by the senior management of UFJ Holdings 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 Merrill Lynch by senior management of UFJ Holdings and MTFG;

- conducted discussions with members of senior management of UFJ Holdings and MTFG concerning the matters described above, as well as their respective businesses and prospects before and after giving effect to the merger and the Expected Synergies;
- reviewed the market prices and valuation multiples for the common shares of UFJ Holdings and the common shares of MTFG and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;
- reviewed the publicly reported financial condition and results of operations of UFJ Holdings and MTFG and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;
- participated in certain discussions and negotiations among representatives of UFJ Holdings and MTFG and their financial and legal advisors;
- reviewed the potential pro forma impact of the merger; and
- reviewed such other financial studies, analyses and professional reports and took into account such other matters as Merrill Lynch deemed necessary, including its assessment of general economic, market and monetary conditions.

In connection with its opinion dated February 18, 2005, Merrill Lynch also reviewed a draft dated February 17, 2005 of the integration agreement.

In connection with its opinion dated April 20, 2005, Merrill Lynch also reviewed the integration agreement, a draft dated April 19, 2005 of the amendment to the integration agreement, and a draft dated April 19, 2005 of the merger agreement. In addition, in connection with its opinion dated April 20, 2005, Merrill Lynch reviewed updated information relating to the business plans of UFJ Holdings and MTFG and Expected Synergies provided by senior management of UFJ Holdings and MTFG.

In preparing each of its opinions, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or undertake an independent evaluation or appraisal of any assets or liabilities of UFJ Holdings, MTFG or their subsidiaries and affiliates, including any loan portfolios, deferred tax assets, valuation allowance or hedge or derivative positions, nor been furnished with any such evaluation or appraisal. Merrill Lynch is not an expert in the evaluation of the adequacy of allowances for loan losses, and it neither made an independent evaluation of the adequacy of allowances for loan losses of UFJ Holdings or MTFG, nor reviewed any individual credit files of UFJ Holdings, MTFG or their subsidiaries and affiliates and, as a result, Merrill Lynch assumed that the aggregate allowance for loan losses for each of UFJ Holdings and MTFG is adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. Merrill Lynch did not evaluate the solvency or fair value of UFJ Holdings or MTFG under any local or national laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not conduct, or assume any obligation to conduct, any physical inspection of the properties or facilities of UFJ Holdings, MTFG or their subsidiaries and affiliates.

With respect to the financial and operating information of UFJ Holdings, 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 Merrill Lynch by UFJ Holdings or MTFG, Merrill Lynch assumed that they were reasonably prepared and, at each relevant time, reflected the best available estimates and judgment of senior management of UFJ Holdings and MTFG.

Table of Contents

In connection with its opinion dated February 18, 2005, Merrill Lynch 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 UFJ Holdings (collectively, the UFJ Holdings Preferred Shares) will be exchanged for preferred shares, to be newly issued by MTFG (collectively, the New MTFG Preferred Shares), as set forth in the integration agreement. Merrill Lynch also assumed that the terms of the New MTFG Preferred Shares will be substantially the same as the terms of the respective UFJ Holdings Preferred Shares, other than the adjustment to the conversion price of the UFJ Holdings Preferred Shares to reflect the merger ratio.

In connection with its opinion dated April 20, 2005, Merrill Lynch assumed that the UFJ Holdings Preferred Shares will be exchanged for the New MTFG Preferred Shares, as set forth in the appendix to the draft of the merger agreement. Merrill Lynch 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 Merrill Lynch s opinions take into consideration dilution that would result from the conversion of the UFJ Holdings Preferred Shares, Merrill Lynch assumed that the UFJ Holdings Preferred Shares will be converted in accordance with the respective conversion price or assumed conversion price of the UFJ Holdings Preferred Shares. Merrill Lynch expressed no opinion as to whether or when holders of the UFJ Holdings Preferred Shares or the New MTFG Preferred Shares may elect to convert such shares.

Merrill Lynch further assumed that the merger will be accounted for as a pooling of interests under generally accepted accounting principles in Japan, 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. Merrill Lynch s opinions are based upon financial information in accordance with generally accepted accounting principles in Japan which was supplied or otherwise made available to Merrill Lynch, discussed with or reviewed by or for Merrill Lynch, or publicly available. Merrill Lynch did not review any financial information prepared by UFJ Holdings or MTFG under generally accepted accounting principles in the United States and did not take account of any differences between generally accepted accounting principles in Japan and those in the United States.

In connection with its opinion dated February 18, 2005, Merrill Lynch also assumed that the final form of the integration agreement was substantially similar to the last draft reviewed by it. In connection with its opinion dated April 20, 2005, Merrill Lynch also assumed that the final form of the merger agreement was substantially similar to the last draft reviewed by it.

Each of Merrill Lynch s opinions were necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to Merrill Lynch as of, the respective dates of the opinions, and Merrill Lynch was under no obligation to update its opinions. Merrill Lynch 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 the opinion dated February 18, 2005, Merrill Lynch was not authorized by UFJ Holdings or its board of directors to solicit, nor did Merrill Lynch solicit, third-party indications of interest for the acquisition of all or any part of UFJ Holdings. Merrill Lynch noted that UFJ Holdings received an unsolicited merger proposal from Sumitomo Mitsui Financial Group, Inc. (SMFG). Because UFJ Holdings determined not to engage in any discussions with any person regarding a transaction that might be an alternative to the merger and Merrill Lynch did not discuss, nor was Merrill Lynch asked to discuss, the SMFG merger proposal with SMFG or its representatives, Merrill Lynch was not able to evaluate the SMFG merger proposal, including any cost savings, revenue enhancement and related expenses expected to result from the SMFG merger proposal, on the same basis on which it evaluated the merger. As a result, Merrill Lynch was not in a position to express any opinion as to the relative merits of the merger with MTFG and the SMFG merger proposal.

74

Table of Contents

In connection with the preparation of the opinion dated April 20, 2005, Merrill Lynch was not authorized by UFJ Holdings or its board of directors to solicit, nor did Merrill Lynch solicit, third-party indications of interest for the acquisition of all or any part of UFJ Holdings. In Merrill Lynch s April 20, 2005 opinion, Merrill Lynch did not address the SMFG merger proposal, which was withdrawn on February 25, 2005.

The summaries set forth above and under Financial Analyses Used By Merrill Lynch and JPMorgan do not purport to be complete descriptions of the analyses or data presented by Merrill Lynch. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Merrill Lynch believes that, with respect to each of its opinions, the summaries set forth above and its analyses must be considered as a whole and that selecting portions thereof, without considering all of its analyses, could create an incomplete view of the processes underlying its analyses and opinion.

Merrill Lynch is an internationally recognized investment banking firm and, as a part of its investment banking business, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions. The board of directors of UFJ Holdings selected Merrill Lynch as its financial advisor because of Merrill Lynch s experience, expertise and familiarity with UFJ Holdings and its business.

Merrill Lynch is acting as financial advisor to UFJ Holdings and UFJ Bank, a subsidiary of UFJ Holdings, in connection with the merger and the issuance of the Series 1 class E preferred shares of UFJ Bank to MTFG. In connection with such services, UFJ Holdings and UFJ Bank have paid to Merrill Lynch a fee of $11,565,000 and will, contingent upon the consummation of the merger, pay an additional fee of $93,000. Through May 16, 2005, UFJ Holdings has also reimbursed Merrill Lynch an aggregate of $52,000 for expenses related to investors roadshow meetings in October 2004 and in February and March 2005. In addition, UFJ Holdings and UFJ Bank have agreed to indemnify Merrill Lynch for certain liabilities arising out of its engagement. Merrill Lynch has, in the past, provided other financial advisory and financing services to UFJ Holdings, UFJ Bank and MTFG and may continue to do so, and has received, and may receive, fees for the rendering of such services. During the fiscal years ended March 31, 2003, 2004 and 2005, Merrill Lynch earned aggregate fees of $32,054,000 and was reimbursed for aggregate expenses of $1,480,000 from UFJ Holdings and its affiliates and earned aggregate fees of $2,239,000 and was reimbursed for aggregate expenses of $12,550 from MTFG and its affiliates in connection with such services.

Merrill Lynch also directly or indirectly has an interest in, and provides know-how and expertise to, UFJ Strategic Partner Co., Ltd., a subsidiary of UFJ Bank, Genesis Capital K.K. and the Genesis Fund, joint ventures with UFJ Bank, UFJ Strategic Partner Co., Ltd. and UFJ Tsubasa Securities Co., Ltd., all of which are engaged in the management of non-performing loans. UFJ Bank and Merrill Lynch formed UFJ Strategic Partner Co., Ltd. in March 2003. Merrill Lynch, through one of its subsidiaries, has acquired $1.12 billion in non-voting preferred shares of UFJ Strategic Partner Co., Ltd., has the same number of directors on the board of UFJ Strategic Partner Co., Ltd. as UFJ Bank and has seconded employees to UFJ Strategic Partner Co., Ltd. As an incentive to increase the economic value of UFJ Strategic Partner Co., Ltd., Merrill Lynch was granted stock options to acquire additional non-voting preferred shares, the value of such options being linked to increases in the value of UFJ Strategic Partner Co., Ltd. Under the terms of the investment agreement governing UFJ Strategic Partner Co., Ltd., upon sending a convocation notice by UFJ Bank to its shareholder for the merger of UFJ Bank with and into The Bank of Tokyo-Mitsubishi, Ltd., contemplated by UFJ Holdings and MTFG to occur contemporaneously with the merger, Merrill Lynch would have been entitled to obtain control of UFJ Strategic Partner Co., Ltd. and to accelerate the return of its original investment and its receipt of profits relating to such investments. On March 31, 2005, Merrill Lynch executed a waiver pursuant to which it agreed not to exercise such rights upon the merger of UFJ Bank with and into The Bank of Tokyo-Mitsubishi, Ltd. Merrill Lynch projects that its profit from its investment in UFJ Strategic Partner Co., Ltd. will be approximately $457 million. In July 2004, UFJ Bank and Merrill Lynch established Genesis Capital K.K., with UFJ Bank investing $88,600 and Merrill Lynch investing $1.68 million. Also in July 2004, Genesis Capital K.K., Merrill Lynch, UFJ Strategic Partner Co., Ltd. and UFJ Tsubasa Securities Co., Ltd. established the Genesis Fund, a corporate rehabilitation investment fund. The Genesis Fund is owned 70% by Merrill Lynch, 25% by UFJ Strategic Partner Co., Ltd. and 5% by UFJ Tsubasa Securities Co., Ltd., which have agreed to commit up to $932 million of capital to the Genesis Fund in proportion to their respective ownership percentages. Merrill Lynch s return on its investment in the Genesis Fund will be determined based upon the performance of the fund, and profits will be distributed in accordance with each party s percentage ownership of the fund. Accordingly, Merrill Lynch s investments in UFJ Strategic Partner Co., Ltd., Genesis Capital K.K. and the Genesis Fund will not be affected by whether the merger or the merger of UFJ Bank with and into The Bank of Tokyo-Mitsubishi, Ltd. occurs, by the merger ratio or by the timing of the merger or the merger of UFJ Bank with and into The Bank of Tokyo-Mitsubishi, Ltd.

In addition, in the ordinary course of its business, Merrill Lynch and its affiliates may actively trade the common shares of UFJ Holdings and other securities of UFJ Holdings and its subsidiaries and affiliates, as well as the common shares of MTFG and other securities of MTFG and its subsidiaries and affiliates, for their own account and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Opinions of JPMorgan

UFJ Holdings board of directors has retained J.P. Morgan Securities Asia Pte. Limited, Tokyo Branch as one of its financial advisors in connection with the proposed transaction. In connection with this engagement, UFJ Holdings requested that JPMorgan evaluate the fairness, from a financial point of view, to the holders of UFJ Holdings common shares of the merger ratio in the proposed transaction.

At the February 18, 2005 meeting of UFJ Holdings board of directors, JPMorgan rendered its oral opinion, that, as of such date, based upon and subject to the factors and assumptions set forth in its written opinion, the merger ratio in the proposed transaction was fair, from a financial point of view, to the holders of UFJ Holdings common shares. JPMorgan confirmed its oral opinion by delivering to the UFJ Holdings board of directors a written opinion dated February 18, 2005.

At the April 20, 2005 meeting of UFJ Holdings board of directors, JPMorgan rendered its oral opinion, that, as of such date, based upon and subject to the factors and assumptions set forth in its written opinion, the merger ratio in the proposed transaction was fair, from a financial point of view, to the holders of UFJ Holdings common shares. JPMorgan confirmed its oral opinion by delivering to the UFJ Holdings board of directors a written opinion dated April 20, 2005.

The opinions of JPMorgan dated February 18, 2005 and April 20, 2005, which in each case sets forth the assumptions made, matters considered and limits on the review undertaken, are attached to this prospectus as Annexes I and K, respectively, and are incorporated in this prospectus by reference. JPMorgan consented to the use of and reference to such opinions in this prospectus, pursuant to the terms of the Consents of J.P. Morgan Securities Asia Pte. Limited filed as Exhibit 99.3 to this prospectus. UFJ Holdings shareholders are urged to read the opinions in their entirety. Each of JPMorgan s written opinions is addressed to UFJ Holdings board of directors, is directed only to the merger ratio in the proposed transaction and does not constitute a recommendation to any shareholder of UFJ Holdings as to how such shareholder should vote at the UFJ Holdings special meeting or on any other matter. In addition, UFJ Holdings board of directors did not ask JPMorgan to address, and neither of the opinions does address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of UFJ Holdings, other than the holders of the UFJ Holdings common shares. The summaries of the opinions of JPMorgan set forth in this prospectus are qualified in their entirety by reference to the full text of the relevant opinion.

In arriving at its opinions, JPMorgan, among other things:

- reviewed the Basic Agreement;
- in the case of the April 20, 2005 opinion, reviewed the Integration Agreement and the amendment to the Integration Agreement, dated as of April 20, 2005;

Table of Contents

- in the case of the April 20, 2005 opinion, reviewed the April 19, 2005 draft of the Merger Agreement;
- reviewed certain publicly available business and financial information concerning UFJ Holdings, MTFG and the industries in which they operate;
- compared the financial and operating performance of UFJ Holdings and MTFG with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of UFJ Holdings common shares, MTFG common shares and certain publicly traded securities of such other companies;
- reviewed certain internal financial analyses and forecasts prepared by the managements of UFJ 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 proposed transaction;
- reviewed certain due diligence reports prepared by advisors to UFJ Holdings;
- in the case of the February 18, 2005 opinion, reviewed the February 17, 2005 draft of the integration agreement;
- in the case of the February 18, 2005 opinion, reviewed publicly available business and financial information concerning SMFG;
- in the case of the February 18, 2005 opinion, compared the financial and operating performance of UFJ Holdings and MTFG with publicly available information concerning SMFG and reviewed the historical market prices of SMFG common stock;
- in the case of the February 18, 2005 opinion, compared the proposed financial terms of the proposed transaction with the publicly available financial terms of SMFG s proposal of a merger with UFJ Holdings; and
- performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinions.

JPMorgan did not have an opportunity to review any non-public business or financial information concerning SMFG.

In preparing its opinions, JPMorgan also held discussions with certain members of the management of UFJ Holdings and MTFG with respect to certain aspects of the proposed transaction, and the past and current business operations of UFJ Holdings and MTFG, the financial condition and future prospects and operations of UFJ Holdings and MTFG, the effects of the proposed transaction on the financial condition and future prospects of UFJ Holdings and MTFG, and certain other matters JPMorgan believed necessary or appropriate to its inquiry. As instructed by the board of directors of UFJ Holdings, JPMorgan conducted only limited due diligence on the financial and operating performance and condition of UFJ Holdings and MTFG. With respect to its opinion dated February 18, 2005, as further instructed by the board of directors of UFJ Holdings, JPMorgan did not have any discussions with any representatives of SMFG concerning SMFG s public proposal of a merger with UFJ Holdings. As a result, the analysis requested by the board of directors of UFJ Holdings and each of JPMorgan s opinions are limited to the extent of the information that was made available to JPMorgan as of the respective dates of the opinions.

JPMorgan relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or that was furnished to it by UFJ Holdings and MTFG or otherwise reviewed by it, and JPMorgan has not assumed any responsibility or liability therefor. JPMorgan did not conduct any valuation or appraisal of any assets or liabilities, nor were any valuations or appraisals provided to JPMorgan. JPMorgan did not evaluate the solvency of UFJ Holdings or MTFG or any of their respective subsidiaries under laws of any jurisdiction relating to bankruptcy, insolvency or similar matters. In addition, JPMorgan is not an expert in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of

Table of Contents

the allowances for losses with respect thereto and, accordingly, JPMorgan assumed that such allowances for losses are in the aggregate adequate to cover such losses. JPMorgan did not review individual credit files nor did JPMorgan make 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 UFJ Holdings or MTFG or any of their respective subsidiaries, and JPMorgan was not furnished with any such evaluation or appraisal. In relying on financial analyses and forecasts provided to it, including the synergies referred to above, JPMorgan assumed that they were 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 the company to which such forecasts relate.

JPMorgan further assumed that the proposed transaction will be accounted for as a pooling of interests under generally accepted accounting principles in Japan, which differ in certain respects from accounting principles generally accepted in other countries, and that the proposed transaction will qualify as a tax-free reorganization for Japanese income tax purposes. JPMorgan s opinion is based on financial information in accordance with Japanese GAAP which was supplied or otherwise made available to it, discussed with or reviewed by it or publicly available. JPMorgan did not review any financial information prepared by UFJ Holdings or MTFG under generally accepted accounting principles in the United States and did not take account of any differences between Japanese GAAP and U.S. GAAP.

With respect to its opinion dated February 18, 2005, JPMorgan assumed that the shares of class II preferred shares, class IV preferred shares, class V preferred shares, class VI preferred shares and class VII preferred shares of UFJ Holdings will be exchanged for the preferred shares to be newly issued by MTFG, as set forth in the integration agreement. JPMorgan also assumed that the terms of the new MTFG preferred shares will be substantially the same as the terms of the related UFJ Holdings preferred shares, other than the adjustment to the conversion price of the UFJ Holdings preferred shares to reflect the merger ratio.

With respect to its opinion dated April 20, 2005, JPMorgan assumed that each share of class II preferred shares, class IV preferred shares, class V preferred shares, class VI preferred shares and class VII preferred shares of UFJ Holdings will be exchanged for one share of class VIII preferred shares, class IX preferred shares, class X preferred shares and class XI preferred shares of MTFG, respectively, as set forth in the Merger Agreement.

To the extent each of JPMorgan s opinions takes into consideration dilution that would result from the conversion of the UFJ Holdings preferred shares, JPMorgan assumed that the UFJ Holdings preferred shares would be converted into UFJ Holdings common shares, as the case may be, in accordance with the respective conversion prices or assumed conversion prices of the UFJ Holdings preferred shares. JPMorgan expressed no opinion as to whether or when holders of the UFJ Holdings preferred shares or the new MTFG preferred shares may elect to convert such shares.

JPMorgan relied as to all legal matters relevant to rendering its opinions upon the advice of counsel. With respect to its opinion dated February 18, 2005, JPMorgan assumed that the definitive integration agreement will not differ in any material respect from the draft integration agreement furnished to it. With respect to its opinion dated April 20, 2005, JPMorgan assumed that the definitive Merger Agreement will not differ in any material respect from the draft Merger Agreement furnished to it. In each case, JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the proposed transaction will be obtained without any adverse effect on UFJ Holdings or MTFG or on the contemplated benefits of the proposed transaction.

Each of JPMorgan s opinions is based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of such opinion. Subsequent developments may affect the written opinion dated April 20, 2005, and JPMorgan does not have any obligation to update, revise or reaffirm its opinion. Each of JPMorgan s opinions is limited to the fairness, from a financial point of view, to the

78

holders of UFJ Holdings common shares of the merger ratio in the proposed transaction, and JPMorgan expressed no opinion as to the underlying decision by UFJ Holdings to engage in the proposed transaction. JPMorgan expressed no opinion as to the price at which MTFG common shares will trade at any future time. In addition, JPMorgan expressed no opinion with respect to any other transaction contemplated in the Basic Agreement or the Integration Agreement.

JPMorgan was not authorized to and did not solicit any expressions of interest from any other parties with respect to the proposed transaction or any other alternative transaction. In addition, JPMorgan expressed no opinion as to whether any alternative transaction might produce consideration for UFJ Holdings shareholders in an amount in excess of that contemplated in the proposed transaction.

In addition, in connection with its opinion dated February 18, 2005, JPMorgan was not permitted by the board of directors of UFJ Holdings to engage in any discussions or negotiations with representatives of SMFG concerning SMFG s public proposal of a merger with UFJ Holdings. JPMorgan s financial analysis of SMFG s public proposal of a merger with UFJ Holdings in connection with its opinion dated February 18, 2005 was subject to the limitations described above. JPMorgan expressed no opinion as to fairness, from a financial point of view, of the SMFG merger ratio, the relative merits, from a financial point of view, of SMFG s public proposal of a merger with UFJ Holdings and the proposed transaction.

The summaries set forth above and under Financial Analyses Used By Merrill Lynch and JPMorgan does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the summaries set forth above and its analyses relating to each of its opinions must be considered as a whole and that selecting portions thereof, without considering all of its analyses, could create an incomplete view of the processes underlying its analyses and opinion. JPMorgan based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions and industry-specific factors. The other principal assumptions upon which JPMorgan based its analyses are set forth above under the description of each such analysis. JPMorgan s analyses are not necessarily indicative of actual values or actual future results that might be achieved, which values may be higher or lower than those indicated. Moreover, JPMorgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. As described above, the opinions of JPMorgan were among many factors taken into consideration by UFJ Holdings board of directors in making its determination to approve the Basic Agreement, the Integration Agreement and the proposed transaction.

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. JPMorgan was selected to advise UFJ Holdings with respect to the proposed transaction on the basis of such experience and its familiarity with UFJ Holdings.

For services rendered in connection with the proposed transaction, UFJ Holdings and UFJ Bank have agreed to pay JPMorgan a fee of $93,000 if the proposed transaction is consummated. In addition, UFJ Holdings has agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan against certain liabilities, including liabilities arising under the Federal securities laws. Through May 2, 2005, UFJ Holdings has reimbursed JPMorgan an aggregate of $61,000 for such expenses.

JPMorgan and its affiliates have, from time to time, provided financial advisory and financing services to UFJ Holdings, UFJ Bank, MTFG and their affiliates for which they have received customary compensation. For the period from January 1, 2002 through the end of February 2005, JPMorgan earned aggregate fees of $46,147,000 from UFJ Holdings and its affiliates and aggregate fees of $21,160,000 from MTFG and its

Table of Contents

affiliates in connection with such services. There were no expenses reimbursed by UFJ Holdings and its affiliates nor MTFG and its affiliates to JPMorgan in connection with such services. JPMorgan acted as financial advisor to UFJ Holdings and UFJ Bank in connection with the issuance of Series 1 class E preferred shares of UFJ Bank and received a fee of $93,000 for such services. There were no expenses reimbursed by UFJ Holdings and its affiliates to JPMorgan in connection with such services. JPMorgan or one of its affiliates may also provide other financial advisory and financing services to UFJ Holdings, UFJ Bank, MTFG and their affiliates in the future and may receive fees for such services. In the ordinary course of their businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of UFJ Holdings, MTFG, UFJ Tsubasa Securities Co., Ltd., Mitsubishi Securities Co., Ltd. or SMFG for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

Financial Analyses Used by Merrill Lynch and JPMorgan

The following are summaries of the material financial analyses presented by Merrill Lynch and JPMorgan in Japanese to the board of directors of UFJ Holdings on February 18, 2005 and April 20, 2005 in connection with the merger. These analyses also provided in substantial part the basis for their respective opinions delivered on those dates. However, these summaries do not purport to be a complete description of the analyses performed by Merrill Lynch and JPMorgan or of their presentations to the board of directors of UFJ Holdings. The following summaries include information presented in tabular format. In order to understand fully the financial analyses used by Merrill Lynch and JPMorgan, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to February 17, 2005, in the case of the February 18, 2005 presentation, and April 19, 2005, in the case of the April 20, 2005 presentation, and is not necessarily indicative of current or future market conditions. All IBES estimates used in the analyses described below are median estimates of research analysts compiled by the Institutional Brokers Estimate System (*IBES*), except as otherwise indicated.

The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. No company, business or transaction used in those analyses as a comparison is identical to UFJ Holdings, MTFG or the merger, nor is an evaluation of the results of those analyses entirely mathematical; rather, it involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the transactions, public trading or other values of the companies, business segments or transactions being analyzed. The estimates contained in those analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual results or values or predictive of future results or values, which may be significantly more or less favorable than those suggested by those analyses. In addition, analyses relating to the value of businesses or securities are not appraisals and may not reflect the prices at which businesses, companies or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

Merrill Lynch and JPMorgan explained in their presentations to the board of directors of UFJ Holdings their assumptions concerning the merger, including earnings estimates prepared by UFJ Holdings and MTFG management and by research analysts compiled by IBES as well as expected synergies estimated by UFJ Holdings and MTFG management. With respect to (1) the financial and operating information of UFJ Holdings, MTFG or 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, furnished to or discussed with Merrill Lynch and JPMorgan by UFJ Holdings or MTFG and (2) the amount and timing of the Expected Synergies furnished to or discussed with Merrill Lynch and JPMorgan by UFJ Holdings or MTFG, Merrill Lynch and JPMorgan assumed that they were reasonably prepared and reflect the best then available estimates and judgment of senior management of UFJ Holdings and MTFG as of the respective dates. In their presentation of February 18, 2005, Merrill Lynch and JPMorgan made those same assumptions with respect to the amount and timing of the cost savings, revenue enhancement and related expenses expected to result from the proposed SMFG merger furnished to or discussed with Merrill Lynch and JPMorgan by UFJ Holdings without discussion with or conducting due diligence on SMFG (the *SMFG Expected Synergies*).

Merrill Lynch and JPMorgan further assumed that the merger will be accounted for as a pooling of interests under generally accepted accounting principles in Japan, which differ in certain respects from accounting principles generally accepted in other countries, and that the merger will qualify as a tax-free reorganization for Japanese income tax purposes. Merrill Lynch s and JPMorgan s analyses are based upon financial information prepared in accordance with generally accepted accounting principles in Japan which was supplied or otherwise made available to Merrill Lynch and JPMorgan, discussed with or reviewed by or for Merrill Lynch and JPMorgan, or publicly available. Merrill Lynch and JPMorgan did not review any financial information prepared by UFJ Holdings or MTFG under generally accepted accounting principles in the United States and have not taken into account any differences between generally accepted accounting principles in Japan and those in the United States. With respect to their presentation of February 18, 2005, Merrill Lynch and JPMorgan also assumed that the proposed SMFG merger would be accounted for as a pooling of interests under generally accepted accounting principles in Japan and would qualify as a tax-free reorganization for Japanese income tax purposes. With respect to their presentation of February 18, 2005, Merrill Lynch and JPMorgan also did not review any financial information prepared by SMFG under generally accepted accounting principles in the United States.

In performing financial analyses of UFJ Holdings and, in the case of the February 18, 2005 presentation, SMFG, Merrill Lynch and JPMorgan assumed that all outstanding convertible preferred shares issued by UFJ Holdings or SMFG will be converted into common shares of UFJ Holdings or SMFG, respectively, in accordance with the conversion price or assumed conversion price of such preferred shares.

In arriving at each of their respective opinions, Merrill Lynch and JPMorgan made qualitative judgments as to the significance and relevance of each analysis and factor considered by them. Accordingly, Merrill Lynch and JPMorgan believe that in each case their analyses must be considered as a whole and that selecting portions of their analyses and factors, without considering all analyses and factors, could create an incomplete view of the processes underlying such analyses and their respective opinions. In their analyses, Merrill Lynch and JPMorgan made numerous assumptions with respect to UFJ Holdings, MTFG (and, in the case of their analyses for their February 18, 2005 opinions, SMFG), industry performance and regulatory environment, general business, economic, market and financial conditions, as well as other matters, many of which are beyond the control of UFJ Holdings and involve the application of complex methodologies and educated judgment.

Analyses Performed in Connection with the Opinions dated February 18, 2005

The following is a summary of each of the material financial analyses performed by Merrill Lynch and JPMorgan in connection with their respective opinions dated February 18, 2005.

Calculation of Transaction Value and Ownership of Combined Entity

Merrill Lynch and JPMorgan reviewed MTFG s proposed merger ratio of 0.62 of a common share of MTFG for each UFJ Holdings common share. Assuming that UFJ Holdings has 7,386,379 common shares issued on a fully-diluted basis and MTFG has 6,542,001 common shares issued on a fully-diluted basis, at the February 17, 2005 price of MTFG common shares of ¥973,000, the implied offer price for each of UFJ Holdings common shares is ¥603,260, the fully-diluted transaction value is ¥4,455,907 million and UFJ Holdings fully-diluted ownership of the combined entity will be 41.2%.

UFJ Holdings Common Shares

Analysis of Historical Stock Price of UFJ Holdings Common Shares

Merrill Lynch and JPMorgan reviewed the recent trading performance of UFJ Holdings common shares and compared this to the per share price of ¥603,260 implied by MTFG s proposed merger ratio of 0.62 of a MTFG

81

Table of Contents

common share for each UFJ Holdings common share. The per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions with MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of Merger Discussions with MTFG (July 14, 2004)
Previous Day	¥ 569,000	¥ 405,000	¥ 472,000
1 Week Average	565,250	431,000	453,000
1 Month Average	590,364	454,045	490,045

Comparable Companies Analysis

Merrill Lynch and JPMorgan reviewed certain publicly available financial, operating and stock market information for the four largest financial groups in Japan. These companies were: UFJ Holdings, MTFG, SMFG and Mizuho Financial Group, Inc.

For each of these companies, Merrill Lynch and JPMorgan calculated the ratio of the closing stock price on February 17, 2005 to estimated earnings per share for the fiscal years ending March 31, 2006 and March 31, 2007 using IBES estimates and actual book value per share as of December 31, 2004 and then derived ranges of imputed valuations for UFJ Holdings common shares. The results of this analysis are set forth below:

	February 17, 2005		Price-to-Earnings Ratio (IBES)(1)		Price-to-Book Ratio
	Price	Market Capitalization	2006 Estimates	2007 Estimates	December 31, 2004 Actual
		(in billions)			
UFJ Holdings	¥ 569,000	¥ 2,938	15.3x	11.1x	3.31x
MTFG	973,000	6,369	15.4x	13.4x	1.49x
SMFG	714,000	4,456	14.2x	12.1x	2.33x
Mizuho Financial Group	504,000	6,020	18.3x	15.8x	2.29x

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

	Multiple		Per Share Value
	Minimum	Maximum	UFJ Holdings

Price-to-earnings multiple[1] (2006 IBES and UFJ Holdings Estimates)	13.0x	15.0x	¥ 484,900	¥ 654,609
Price-to-earnings multiple[1] (2007 IBES and UFJ Holdings Estimates)	10.0x	12.0x	489,447	612,479
Price-to-book value multiple (December 31, 2004 Actual)	1.5x	2.5x	258,083	430,138

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

By multiplying each of UFJ Holdings estimated earnings per share for the fiscal year ending March 31, 2006, as estimated by IBES and UFJ Holdings, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2006, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of UFJ Holdings common shares of ¥484,900 to ¥654,609. By multiplying each of UFJ Holdings estimated earnings per share for the fiscal year ending March 31, 2007, as estimated by IBES and UFJ Holdings, by the minimum and maximum multiples

Table of Contents

derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2006, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of UFJ Holdings common shares of ¥489,447 to ¥612,479. By multiplying UFJ Holdings actual book value per share as of December 31, 2004 by the minimum and maximum multiples derived from the comparable companies actual book value per share as of December 31, 2004, Merrill Lynch and JPMorgan derived a range of imputed valuations for UFJ Holdings common shares of ¥258,083 to ¥430,138.

Discounted Cash Flow Analysis

Merrill Lynch and JPMorgan performed a discounted cash flow analysis using the dividend discount model to estimate a range of present values per UFJ Holdings common share assuming UFJ Holdings continued to operate as a stand-alone entity and compared these to the per share price of ¥603,260 implied by MTFG s proposed merger ratio of 0.62 of a MTFG common share for each UFJ Holdings common share. This range was determined by adding (1) the present value of the stream of dividends that UFJ Holdings can pay to shareholders over the next five years while maintaining its target ratio of Tier I capital to risk-weighted assets and (2) the present value of the terminal value, calculated by applying price-to-earnings multiples to forecasted earnings for the fiscal year ending March 31, 2010. Merrill Lynch and JPMorgan assumed a target ratio of Tier I capital ranging from 5.5% to 7.5%. In calculating a terminal value, Merrill Lynch and JPMorgan applied price-to-earnings multiples ranging from 11.0x to 13.0x to forecasted earnings for the fiscal year ending March 31, 2010. The dividend stream and terminal values were then discounted using discount rates ranging from 8.0% to 10.0%. Merrill Lynch and JPMorgan viewed these rates as the appropriate range of discount rates for a company with UFJ Holdings risk characteristics and based upon an analysis of the comparable cost of equity for UFJ Holdings and other comparable financial groups. For the purposes of such analysis, Merrill Lynch and JPMorgan utilized estimates of UFJ Holdings senior management of risk-weighted assets, estimates of UFJ Holdings senior management of earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2010 and IBES estimates of earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2009. Merrill Lynch and JPMorgan further assumed earnings growth of 10% per year for the fiscal year ending March 31, 2010 from the fiscal year ending March 31, 2009 to derive IBES earnings estimates for the fiscal year ending March 31, 2010. In all cases, Merrill Lynch and JPMorgan deducted ¥700 billion, as the amount of Series 1 class E preferred shares of UFJ Bank, from the aggregate sum of the present value of the stream of dividends and the present value of the terminate value. Based on this analysis, Merrill Lynch and JPMorgan derived an implied valuation per UFJ Holdings common share of ¥480,221 to ¥631,956 using IBES earnings estimates and ¥514,973 to ¥674,796 using UFJ Holdings management s earnings estimates.

MTFG Common Shares

Analysis of Historical Stock Price of MTFG Common Shares

Merrill Lynch and JPMorgan reviewed the recent trading performance of MTFG common shares. The per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions with MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	**Leak of SMFG Merger Proposal (July 30, 2004)**	**Leak of Merger Discussions with MTFG (July 14, 2004)**

Previous Day	¥ 973,000	¥ 1,040,000	¥ 959,000
1 Week Average	988,750	1,034,000	938,000
1 Month Average	985,500	1,012,136	958,545

83

Table of Contents

Comparable Companies Analysis

Merrill Lynch and JPMorgan reviewed certain publicly available financial, operating and stock market information for the four largest financial groups in Japan. These companies were: UFJ Holdings, MTFG, SMFG and Mizuho Financial Group, Inc.

For each of these companies, Merrill Lynch and JPMorgan calculated the ratio of the closing stock price on February 17, 2005 to estimated earnings per share for the fiscal years ending March 31, 2006 and March 31, 2007 using IBES estimates and actual book value per share as of December 31, 2004 and then derived ranges of imputed valuations for MTFG common shares. The results of this analysis are set forth below:

	February 17, 2005		Price-to-Earnings Ratio (IBES)(1)		Price-to-Book Ratio
	Price	Market Capitalization	2006 Estimates	2007 Estimates	December 31, 2004 Actual
		(in billions)			
UFJ Holdings	¥ 569,000	¥ 2,938	15.3x	11.1x	3.31x
MTFG	973,000	6,369	15.4x	13.4x	1.49x
SMFG	714,000	4,456	14.2x	12.1x	2.33x
Mizuho Financial Group	504,000	6,020	18.3x	15.8x	2.29x

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

	Multiple		Per Share Value	
	Minimum	Maximum	MTFG	
Price-to-earnings multiple(1) (2006 IBES and MTFG Estimates)	15.0x	17.0x	¥ 755,827	¥ 1,077,037
Price-to-earnings multiple(1) (2007 IBES and MTFG Estimates)	13.0x	15.0x	858,116	1,087,991
Price-to-book value multiple (December 31, 2004 Actual)	1.5x	2.5x	981,129	1,635,216

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated

By multiplying each of MTFG s estimated earnings per share for the fiscal year ending March 31, 2006, as estimated by IBES and MTFG, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2006, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of MTFG common shares of ¥755,827 to ¥1,077,037. By multiplying each of MTFG s estimated earnings per share for the fiscal year ending March 31, 2007, as estimated by IBES and MTFG, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2007, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of MTFG common shares of ¥858,116 to ¥1,087,991. By multiplying MTFG s actual book value per share as of December 31, 2004 by the minimum and maximum multiples derived from the comparable companies actual book value per share as of December 31, 2004, Merrill Lynch and JPMorgan derived a range of imputed valuations for MTFG common shares of ¥981,129 to ¥1,635,216.

Discounted Cash Flow Analysis

Merrill Lynch and JPMorgan performed a discounted cash flow analysis using the dividend discount model to estimate a range of present values per MTFG common share assuming MTFG continued to operate as a stand-alone entity. This range was determined by adding (1) the present value of the stream of dividends that MTFG can pay to shareholders over the next five years while maintaining its target ratio of Tier I capital to risk-weighted assets and (2) the present value of the terminal value, calculated by applying price-to-earnings multiples to forecasted earnings for the fiscal year ending March 31, 2010. Merrill Lynch and JPMorgan assumed a target ratio of Tier I capital ranging from 5.5% to 7.5%. In calculating a terminal value of MTFG common shares, Merrill Lynch and JPMorgan applied price-to-earnings multiples ranging from 11.0x to 13.0x to forecasted earnings for the fiscal year ending March 31, 2010. The dividend stream and terminal values were then discounted using discount rates ranging from 7.0% to 9.0%. Merrill Lynch and JPMorgan viewed these rates as the appropriate range of discount rates for a company with MTFG s risk characteristics and based upon an analysis of the comparable cost of equity for MTFG and other comparable financial groups. For the purposes of such analysis, Merrill Lynch and JPMorgan utilized estimates of MTFG s senior management of risk-weighted assets, estimates of MTFG s senior management of earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2010 and IBES earnings estimates for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2009. Merrill Lynch and JPMorgan further assumed earnings growth of 10% per year for the fiscal year ending March 31, 2010 from the fiscal year ending March 31, 2009 to derive IBES earnings estimates for the fiscal year ending March 31, 2010. In all cases, Merrill Lynch and JPMorgan deducted ¥372.1 billion, as the aggregate amount of Class 1 and First Series Class 3 preferred shares of MTFG, from the aggregate sum of the present value of the stream of dividends and the present value of the terminal value. Based on this analysis, Merrill Lynch and JPMorgan derived an implied valuation per MTFG common share of ¥1,031,534 to ¥1,299,584 using IBES earnings estimates and ¥899,141 to ¥1,156,196 using earnings estimates of MTFG senior management.

Analysis of MTFG s Proposal

Based on their assessments of the fair value of UFJ Holdings common shares and MTFG common shares, Merrill Lynch and JPMorgan determined implied merger ratio ranges and the implied premium of the merger ratio of 0.62 of a MTFG common share per UFJ Holdings common share proposed by MTFG. Merrill Lynch and JPMorgan also assessed MTFG s proposed merger ratio of 0.62 of a MTFG common share for each UFJ Holdings common share using several additional methodologies, including a contribution analysis, a pro forma earnings-per-share accretion/dilution analysis and a value creation analysis.

Implied Merger Ratio Based on Stock Price

Merrill Lynch and JPMorgan determined implied merger ratios based on their reviews of the recent trading performance of UFJ Holdings common shares and MTFG common shares and compared these implied merger ratio ranges with the proposed merger ratio of 0.62 of a MTFG common share per UFJ Holdings common share. The merger ratios implied by the per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of UFJ Holdings/MTFG Merger Discussions (July 14, 2004)
Previous Day	0.58	0.39	0.49
1 Week Average	0.57	0.42	0.48
1 Month Average	0.60	0.45	0.51

Table of Contents

Implied Premium of Proposed MTFG Merger Ratio

Merrill Lynch and JPMorgan determined the implied premium of the proposed merger ratio of 0.62 of a MTFG common share per UFJ Holdings common share for the UFJ Holdings common shares based on the recent trading performance of UFJ Holdings common shares and MTFG common shares. The implied premium based on the per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of UFJ Holdings/MTFG Merger Discussions (July 14, 2004)
Previous Day	6.0%	59.2%	26.0%
1 Week Average	8.5	48.7	28.4
1 Month Average	3.5	38.2	21.3

Contribution Analysis

Merrill Lynch and JPMorgan compared UFJ Holdings and MTFG common shareholders respective percentage ownership of the combined entity of 41.2% and 58.8%, respectively, to UFJ Holdings and MTFG s respective contribution (and the implied ownership based on such contribution) to the combined entity using estimates of net income of both the respective companies management and IBES for the fiscal years ending March 31, 2006 and March 31, 2007, actual BIS capital as of December 31, 2004, actual book value as of December 31, 2004, actual adjusted book value as of September 30, 2004 and market capitalization on a fully-diluted basis of UFJ Holdings and MTFG as of February 17, 2005. The results of this analysis are summarized in the table below.

	Total Value Contribution (Fully Diluted)		
	UFJ Holdings	MTFG	UFJ Holdings/ MTFG Ratio Per Share
Net Income (2006 Estimated IBES)[1]	39.9%	60.1%	0.59
Net Income (2007 Estimated IBES)[1]	44.3	55.7	0.70
Net Income (2006 Estimated Company)[1]	49.4	50.6	0.87
Net Income (2007 Estimated Company)[1]	45.6	54.4	0.74
BIS Capital (December 31, 2004 Actual)	43.5	56.5	0.68
Book Value (December 31, 2004 Actual)	22.9	77.1	0.26
Adjusted Book Value (September 30, 2004 Actual)	18.1	81.9	0.20
Market Capitalization (February 17, 2005)	39.8	60.2	0.58

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

Pro Forma Earnings-Per-Share Accretion/Dilution Analysis

Merrill Lynch and JPMorgan analyzed the financial impact of the merger on the estimated earnings per share for MTFG common shares, using the estimated after-tax synergies expected by UFJ Holdings and MTFG senior management to result from the merger as well as UFJ Holdings and MTFG earnings estimates for the fiscal year ending March 31, 2006 through the fiscal year ending March 31, 2009 based on UFJ Holdings and MTFG management and IBES earnings forecasts. This analysis indicated that with after-tax synergies, the merger would be approximately 34.7% dilutive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2006, approximately 0.8% accretive to management s estimate of

Table of Contents

MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2007, approximately 10.5% accretive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2008 and approximately 23.1% accretive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2009. This analysis also indicated that with after-tax synergies, the merger would be approximately 42.7% dilutive to IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2006, approximately 1.1% dilutive to the IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2007, approximately 0.9% accretive to IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2008 and approximately 14.2% accretive to IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2009.

Value Creation Analysis

Merrill Lynch and JPMorgan analyzed the value created by the merger based on the February 17, 2005 share prices of UFJ Holdings common shares and MTFG common shares, in each case on a fully-diluted basis, and the net present value of after-tax synergies expected by UFJ Holdings and MTFG s management as a result of the merger. Based on the February 17, 2005 price of UFJ Holdings common shares of ¥569,000 and UFJ Holdings market capitalization on a fully-diluted basis of approximately ¥4,203 billion, the February 17, 2005 price of MTFG common shares of ¥973,000 and MTFG market capitalization on a fully-diluted basis of approximately ¥6,365 billion, and the net present value of the synergies expected by UFJ Holdings and MTFG s management calculated based upon a discount rate of 8.5% and a terminal earnings multiple of 12.0x, the combined entity s value per share will be ¥1,040,861 and the implied value per UFJ Holdings common share is ¥645,334 on a fully-diluted basis. Therefore, Merrill Lynch and JPMorgan calculated that the value created per UFJ Holdings common share will be ¥76,334 (13.4% of its February 17, 2005 market value) on a pro forma basis and that the value created per MTFG common share will be ¥67,861 (7.0% of its February 17, 2005 market value) on a pro forma basis.

Analysis of SMFG s Proposal

Merrill Lynch and JPMorgan also analyzed the unsolicited merger proposal, received by UFJ Holdings from SMFG on August 24, 2004, to combine UFJ Holdings and SMFG in which SMFG proposed an exchange ratio of 1.0 SMFG common share for each UFJ Holdings common share. The SMFG merger proposal contained no express condition regarding the Series 1 class E preferred shares of UFJ Bank, and publicly indicated that SMFG expected to realize net cost synergies from the merger of ¥200 billion (pre-tax).

Merrill Lynch s and JPMorgan s assessment of the SMFG merger proposal took into account the impact of the Series 1 class E preferred shares held by MTFG. In certain circumstances, MTFG has the right to put the Series 1 class E preferred shares of UFJ Bank to UFJ Holdings or a third party, including:

- at 100% of the issue price in the event a third party acquires one-third or more of UFJ Holdings common shares;
- at 100% of the issue price in the event the merger of MTFG and UFJ Holdings is not approved at two consecutive meetings of the holders of any class of UFJ Holdings shares (except in the event that such proposal is also not approved at a general meeting of UFJ Holdings shareholders); and
- at a price of 130% of the issue price in the event the merger of MTFG and UFJ Holdings is not approved at the general meeting of UFJ Holdings shareholders held with respect to the fiscal year ending March 31, 2005 and either such proposal is again rejected at a general shareholders meeting held after October 1, 2005, or a proposal from a third party is approved at a general shareholders meeting after October 1, 2005, in which case UFJ Holdings will also have the right to call the securities at 130% of the issued price.

As a result, if SMFG plans to merge with UFJ Holdings, SMFG has to be prepared to pay the premium of 30% (¥210 billion) to MTFG. For purposes of Merrill Lynch s and JPMorgan s valuation analysis, the premium

87

Table of Contents

payable to MTFG was considered as a one time extraordinary cost in the fiscal year ending March 31, 2006. Merrill Lynch and JPMorgan assumed a tax rate of 40% for such premium. The cost of the premium would represent approximately 27% of pro forma combined net income for the fiscal year ending March 31, 2006, based on combined IBES net income estimates for UFJ Holdings and SMFG, and there would be an immediate absolute reduction of 110 basis points in SMFG s current BIS capital ratio, based on SMFG s consolidated risk-weighted assets as of December 31, 2004.

Merrill Lynch s and JPMorgan s analysis of the proposed SMFG merger ratio was of necessity less comprehensive than their analysis of the proposed MTFG merger ratio, because they were not able to evaluate the merger with SMFG, including any cost savings, revenue enhancements and related expenses expected to result from the merger with SMFG, on the same basis on which they evaluated the merger with MTFG, because: (1) UFJ Holdings agreed not to engage in any discussions with any person other than MTFG regarding a transaction of a type similar to the merger with MTFG, (2) UFJ Holdings instructed Merrill Lynch and JPMorgan not to engage in any such discussions with SMFG or its representatives and (3) neither UFJ Holdings nor Merrill Lynch or JPMorgan conducted due diligence on SMFG regarding its financial estimates and businesses to the same extent they conducted due diligence on MTFG.

Calculation of Transaction Value and Ownership of Combined Entity

Merrill Lynch and JPMorgan reviewed SMFG s proposed merger ratio of 1.0 common share of SMFG for each UFJ Holdings common share. Assuming that UFJ Holdings has 7,386,379 common shares issued on a fully-diluted basis and SMFG has 9,288,480 common shares issued on a fully-diluted basis, at the February 17, 2005 price of SMFG common shares of ¥714,000, the implied offer price for each of UFJ Holdings common shares is ¥714,000, the fully-diluted transaction value is ¥5,273,875 million and UFJ Holdings fully-diluted ownership of the combined entity will be 44.3%.

Comparative Analysis of Pro Forma Capital, Asset Quality and Business Statistics

Merrill Lynch and JPMorgan compared pro forma capital and asset quality in a combined UFJ Holdings-MTFG entity to that in a combined UFJ Holdings-SMFG entity. A combined UFJ Holdings-MTFG entity would be less dependent on public funds than a UFJ Holdings-SMFG entity, requiring ¥1.4 trillion and ¥2.5 trillion of public funds, respectively, representing 21.3% and 41.7% of combined Tier I capital, respectively. In addition, because MTFG has no convertible preferred shares outstanding and SMFG has preferred shares that may be converted into common shares in two years (for ¥2.5 trillion in the fiscal years ending March 31, 2009 and March 31, 2010), which, with the possible mandatory conversion of preferred shares of Mizuho Financial Group, Inc. and Resona Holdings, Inc. at approximately the same time, may result in an over-supply of Japanese bank shares in the market. A UFJ Holdings-MTFG combined entity would likely have an adequate capital level to redeem its Tier I trust preferred securities (¥0.57 trillion), while a UFJ Holdings-SMFG combined entity might require refinancing to redeem its ¥1.4 trillion of Tier I trust preferred securities outstanding. Finally, a UFJ Holdings-MTFG combined entity would have a lower dependency on deferred tax assets than a UFJ Holdings-SMFG combined entity (net deferred taxes representing 26.6% and 48.6%, respectively, of Tier I capital) and a lesser amount of non-performing loans than a UFJ Holdings-SMFG combined entity (¥4.285 trillion and ¥5.238 trillion, respectively, representing 4.70% and 5.24% of total loans, respectively).

Merrill Lynch and JPMorgan also compared certain business statistics for a combined UFJ Holdings-MTFG entity to those for a combined UFJ Holdings-SMFG entity. A combined UFJ Holdings-MTFG entity would have 77,896 employees, 728 domestic branches, 59 overseas branches and 38 overseas offices, while a combined UFJ Holdings-SMFG entity would have 76,283 employees, 867 domestic branches, 38 overseas branches and 23 overseas offices.

Table of Contents

SMFG Common Shares

Analysis of Historical Stock Price of SMFG Common Shares

Merrill Lynch and JPMorgan reviewed the recent trading performance of SMFG common shares. The per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of UFJ Holdings/MTFG Merger Discussions (July 14, 2004)
Previous Day	¥ 714,000	¥ 670,000	¥ 714,000
1 Week Average	716,000	689,400	684,400
1 Month Average	714,409	704,045	722,909

Comparable Companies Analysis

Merrill Lynch and JPMorgan reviewed certain publicly available financial, operating and stock market information for the four largest financial groups in Japan. These companies were: UFJ Holdings, MTFG, SMFG and Mizuho Financial Group, Inc.

For each of these companies, Merrill Lynch and JPMorgan calculated the ratio of the closing stock price on February 17, 2005 to estimated earnings per share for the fiscal years ending March 31, 2006 and March 31, 2007 using IBES estimates and actual book value per share as of December 31, 2004 and then derived ranges of imputed valuations for SMFG common shares. The results of this analysis are set forth below:

	February 17, 2005		Price-to-Earnings Ratio (IBES)		Price-to-Book Ratio
	Price	Market Capitalization (in billions)	2006 Estimates	2007 Estimates	December 31, 2004 Actual
UFJ Holdings	¥ 569,000	¥ 2,938	15.3x	11.1x	3.31x
MTFG	973,000	6,369	15.4x	13.4x	1.49x
SMFG	714,000	4,456	14.2x	12.1x	2.33x
Mizuho Financial Group	504,000	6,020	18.3x	15.8x	2.29x

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

	Multiple		Per Share Value	
	Minimum	Maximum	SMFG	
Price-to-earnings multiple (2006 IBES Estimates)[1]	13.0x	15.0x	¥ 654,339	¥ 755,006
Price-to-earnings multiple (2007 IBES Estimates)[1]	10.0x	12.0x	590,086	708,103
Price-to-book value multiple (December 31, 2004 Actual)	1.5x	2.5x	459,127	765,212

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

By multiplying each of SMFG s estimated earnings per share for the fiscal years ending March 31, 2006 and March 31, 2007, in each case, as estimated by IBES, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal years ending March 31, 2006 and March 31, 2007, Merrill Lynch and JPMorgan derived a range of imputed valuations for SMFG common shares of ¥590,086 to ¥755,006. By multiplying SMFG s actual book value per share as of December 31, 2004 by the minimum and maximum multiples derived from the comparable companies actual book value per share as of December 31, 2004, Merrill Lynch and JPMorgan derived a range of imputed valuations for SMFG common shares of ¥459,127 to ¥765,212.

Table of Contents

Discounted Cash Flow Analysis

Merrill Lynch and JPMorgan performed a discounted cash flow analysis using the dividend discount model to estimate a range of present values per SMFG common share assuming SMFG continued to operate as a stand-alone entity. This range was determined by adding (1) the present value of the stream of dividends that SMFG can pay to shareholders over the next five years while maintaining its target ratio of Tier I capital to risk-weighted assets and (2) the present value of the terminal value, calculated by applying a multiple to forecasted earnings for the fiscal year ending March 31, 2010. Merrill Lynch and JPMorgan assumed a target ratio of Tier I capital ranging from 5.5% to 7.5%. In calculating a terminal value of SMFG common shares, Merrill Lynch and JPMorgan applied multiples ranging from 11.0x to 13.0x to forecasted earnings for the fiscal year ending March 31, 2010. The dividend stream and terminal values were then discounted using discount rates ranging from 8.0% to 10.0%. Merrill Lynch and JPMorgan viewed these rates as the appropriate range of discount rates for a company with SMFG s risk characteristics and based upon an analysis of the comparable cost of equity for SMFG and other comparable banks. For the purposes of such analysis, Merrill Lynch and JPMorgan utilized IBES estimates for earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2009 and assumed earnings growth of 10% per year for the fiscal year ending March 31, 2010 over the fiscal year ending March 31, 2009 to derive IBES estimates for the fiscal year ending March 31, 2010. Merrill Lynch and JPMorgan further assumed (1) no growth of risk-weighted assets for the fiscal year ending March 31, 2005 over the risk-weighted assets as of September 30, 2004 to derive risk-weighted assets for the fiscal year ending March 31, 2005 and (2) 2% growth of risk-weighted assets per year from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2010 to derive risk-weighted assets from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2010. Based on this analysis, Merrill Lynch and JPMorgan derived an implied valuation per SMFG common share of ¥778,456 to ¥972,831.

Analysis of SMFG s Proposal

Based on their assessments of the fair value of UFJ Holdings common shares and SMFG common shares, Merrill Lynch and JPMorgan determined implied merger ratio ranges and the implied premium of the merger ratio of 1.0 SMFG common share per UFJ Holdings common share proposed by SMFG. Merrill Lynch and JPMorgan also assessed SMFG s proposed merger ratio of 1.0 SMFG common share for each UFJ Holdings common share using several additional methodologies, including a contribution analysis, a pro forma earnings-per-share accretion/dilution analysis and a value creation analysis.

Implied Merger Ratio Based on Stock Price

Merrill Lynch and JPMorgan determined implied merger ratios based on their reviews of the recent trading performance of UFJ Holdings common shares and SMFG common shares and compared these implied merger ratio ranges with the proposed merger ratio of 1.0 SMFG common share per UFJ Holdings common share. The merger ratios implied by the per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	**Leak of SMFG Merger Proposal (July 30, 2004)**	**Leak of UFJ Holdings/MTFG Merger Discussions (July 14, 2004)**

Previous Day	0.80	0.60	0.66
1 Week Average	0.79	0.63	0.66
1 Month Average	0.83	0.64	0.68

Table of Contents

Implied Premium of SMFG s Proposal

Merrill Lynch and JPMorgan determined the implied premium of the proposed merger ratio of 1.0 SMFG common share per UFJ Holdings common share for the UFJ Holdings common shares based on the recent trading performance of UFJ Holdings common shares and SMFG common shares. The implied premium based on the per share closing price trading data for the previous day, one-week average and one-month average for each of (1) February 18, 2005, (2) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (3) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date		
	February 18, 2005	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of UFJ Holdings/MTFG Merger Discussions (July 14, 2004)
Previous Day	25.5%	65.4%	51.3%
1 Week Average	26.7	60.0	51.1
1 Month Average	21.0	55.1	47.5

Contribution Analysis

Merrill Lynch and JPMorgan compared UFJ Holdings and SMFG common shareholders respective percentage ownership of the combined entity of 44.3% and 55.7%, respectively, to UFJ Holdings and SMFG s respective contribution (and the implied ownership based on such contribution) to the combined entity using IBES estimates of net income for the fiscal years ending March 31, 2006 and March 31, 2007, actual BIS capital as of December 31, 2004, actual book value as of December 31, 2004 and market capitalization on a fully-diluted basis of UFJ Holdings and SMFG as of February 17, 2005. The results of this analysis are summarized in the table below.

	Total Value Contribution (Fully Diluted)		
	UFJ Holdings	SMFG	UFJ Holdings/ SMFG Ratio Per Share
Net Income (2006 Estimated IBES)[1]	37.1%	62.9%	0.74
Net Income (2007 Estimated IBES)[1]	40.8	59.2	0.86
BIS Capital (December 31, 2004 Actual)	42.1	57.9	0.91
Book Value (December 31, 2004 Actual)	30.9	69.1	0.56
Market Capitalization (February 17, 2005)	38.8	61.2	0.80

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

Pro Forma Earnings-Per-Share Accretion/Dilution Analysis

Merrill Lynch and JPMorgan analyzed the financial impact of the merger on the estimated earnings per share for UFJ Holdings common shares and SMFG common shares, using estimates of after-tax synergies to result from the proposed merger provided by UFJ Holdings senior management, including the premium to be paid to MTFG in connection with SMFG s purchase of class E or class F preferred shares of UFJ Bank at 130% of ¥700 billion (on an after-tax basis), as well as UFJ Holdings and SMFG earnings estimates for the fiscal year ending March 31, 2006 through the fiscal year ending March 31, 2009 based on IBES earnings forecasts. This analysis indicated that with after-tax synergies, the merger would be approximately 60.4% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2006, approximately 11.0% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2007, approximately 9.6% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2008 and approximately 0.7% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2009. This analysis also indicated that with the synergies

Table of Contents

proposed by SMFG, based on the assumed tax rate of 40%, the merger would be approximately 26.5% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2006, approximately 1.9% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2007, approximately 2.5% dilutive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2008 and approximately 0.4% accretive to IBES estimates of SMFG s fully-diluted earnings per share for the fiscal year ending March 31, 2009.

Value Creation Analysis

Merrill Lynch and JPMorgan analyzed the value created by the merger based on the February 17, 2005 share prices of UFJ Holdings common shares and SMFG common shares, in each case on a fully-diluted basis, and the net present value of the synergies projected by UFJ Holdings management that would result from a merger of UFJ Holdings and SMFG. Based on the February 17, 2005 price of UFJ Holdings common shares of ¥569,000 and UFJ Holdings market capitalization on a fully-diluted basis of approximately ¥4,203 billion, the February 17, 2005 price of SMFG common shares of ¥714,000 and SMFG market capitalization on a fully-diluted basis of approximately ¥6,632 billion, and the net present value of the synergies projected by UFJ Holdings management calculated based upon a discount rate of 9.0% and a terminal earnings multiple of 12.0x, the combined entity s value per share will be ¥700,374 and the implied value per UFJ Holdings common share is ¥700,374 on a fully-diluted basis. Therefore, Merrill Lynch and JPMorgan calculated that the value created per UFJ Holdings common share will be ¥131,374 (23.1% of its February 17, 2005 market value) on a pro forma basis and that the value lost per SMFG common share will be ¥13,626 (1.9% of its February 17, 2005 market value) on a pro forma basis.

Merrill Lynch and JPMorgan also analyzed the value created by the merger based on the net present value of the synergies proposed by SMFG that would result from a merger of UFJ Holdings and SMFG, assuming phase-in of ¥200 billion (pre-tax) SMFG proposed synergies of ¥40 billion, ¥80 billion and ¥120 billion (after tax) for the fiscal years ending March 31, 2007, March 31, 2008 and March 31, 2009, respectively. Based on the February 17, 2005 price of UFJ Holdings common shares of ¥569,000 and UFJ Holdings market capitalization of approximately ¥4,203 billion, the February 17, 2005 price of SMFG common shares of ¥714,000 and SMFG market capitalization of approximately ¥6,632 billion, and the net present value of the synergies proposed by SMFG calculated based upon a discount rate of 9.0% and a terminal earnings multiple of 12.0x, the combined entity s value per share will be ¥714,463 and the implied value per UFJ Holdings common share is ¥714,463 on a fully-diluted basis. Therefore, Merrill Lynch and JPMorgan calculated that the value created per UFJ Holdings common share will be ¥145,463 (25.6% of its February 17, 2005 market value) on a pro forma basis and that the value created per SMFG common share will be ¥463 (0.1% of its February 17, 2005 market value) on a pro forma basis.

Analyses Performed in Connection with the Opinions dated April 20, 2005

The following is a summary of each of the material financial analyses performed by Merrill Lynch and JPMorgan in connection with their respective opinions dated April 20, 2005.

Calculation of Transaction Value and Ownership of Combined Entity

Merrill Lynch and JPMorgan reviewed the agreed merger ratio of 0.62 of a common share of MTFG for each UFJ Holdings common share. Assuming that UFJ Holdings has 7,406,991 common shares issued on a fully-diluted basis and MTFG has 6,542,001 common shares issued on a fully-diluted basis, at the April 19, 2005 price of MTFG common shares of ¥908,000, the implied offer price for each of UFJ Holdings common shares is ¥562,960, the fully-diluted transaction value is ¥4,169,840 million and UFJ Holdings fully-diluted ownership of the combined entity will be 41.2%.

92

Table of Contents

UFJ Holdings Common Shares

Analysis of Historical Stock Price of UFJ Holdings Common Shares

Merrill Lynch and JPMorgan reviewed the recent trading performance of UFJ Holdings common shares and compared this to the per share price of ¥562,960 implied by the agreed merger ratio of 0.62 of a MTFG common share for each UFJ Holdings common share. The per share closing price trading data for the previous day, one-week average and one-month average for each of (1) April 20, 2005, (2) February 18, 2005, which is the date on which the merger ratio was agreed by UFJ Holdings and MTFG, (3) July 30, 2004, which is the date on which the merger proposal by Sumitomo Mitsui Financial Group, Inc. (SMFG) became public, and (4) July 14, 2004, which is the date on which the merger discussions with MTFG became public, is summarized in the table below.

	Reference Date			
	April 20, 2005	Agreement of Merger Ratio (February 18, 2005)	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of Merger Discussions with MTFG (July 14, 2004)
Previous Day	¥ 550,000	¥ 569,000	¥ 405,000	¥ 472,000
1 Week Average	557,000	565,250	431,000	453,000
1 Month Average	566,571	590,364	454,045	490,045

Comparable Companies Analysis

Merrill Lynch and JPMorgan reviewed certain publicly available financial, operating and stock market information for the four largest financial groups in Japan. These companies were: UFJ Holdings, MTFG, SMFG and Mizuho Financial Group, Inc.

For each of these companies, Merrill Lynch and JPMorgan calculated the ratio of the closing stock price on April 19, 2005 to estimated earnings per share for the fiscal years ending March 31, 2006 and March 31, 2007 using IBES estimates and actual book value per share as of December 31, 2004 and then derived ranges of imputed valuations for UFJ Holdings common shares. The results of this analysis are set forth below:

	April 19, 2005		Price-to-Earnings Ratio (IBES)[(1)]		Price-to-Book Ratio
	Price	Market Capitalization	2006 Estimates	2007 Estimates	December 31, 2004 Actual
		(in billions)			
UFJ Holdings	¥ 550,000	¥ 2,840	13.5x	10.8x	3.21x
MTFG	908,000	5,943	14.2x	12.4x	1.39x
SMFG	688,000	4,315	12.9x	11.4x	2.26x
Mizuho Financial Group	482,000	5,778	17.1x	15.0x	2.32x

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

	Multiple		Per Share Value	
	Minimum	Maximum	UFJ Holdings	
Price-to-earnings multiple[1] (2006 IBES and UFJ Holdings Estimates)	13.0x	15.0x	¥ 529,275	¥ 647,901
Price-to-earnings multiple[1] (2007 IBES and UFJ Holdings Estimates)	10.0x	12.0x	488,888	609,191
Price-to-book value multiple (December 31, 2004 Actual)	1.5x	2.5x	257,364	428,941

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

By multiplying each of UFJ Holdings estimated earnings per share for the fiscal year ending March 31, 2006, as estimated by IBES and UFJ Holdings, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2006, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of UFJ Holdings common shares of ¥529,275 to ¥647,901. By multiplying each of UFJ Holdings estimated earnings per share for the fiscal year ending March 31, 2007, as estimated by IBES and UFJ Holdings, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2007, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of UFJ Holdings common shares of ¥488,888 to ¥609,191. By multiplying UFJ Holdings actual book value per share as of December 31, 2004 by the minimum and maximum multiples derived from the comparable companies actual book value per share as of December 31, 2004, Merrill Lynch and JPMorgan derived a range of imputed valuations for UFJ Holdings common shares of ¥257,364 to ¥428,941.

Discounted Cash Flow Analysis

Merrill Lynch and JPMorgan performed a discounted cash flow analysis using the dividend discount model to estimate a range of present values per UFJ Holdings common share assuming UFJ Holdings continued to operate as a stand-alone entity and compared these to the per share price of ¥562,960 implied by the agreed merger ratio of 0.62 of a MTFG common share for each UFJ Holdings common share. This range was determined by adding (1) the present value of the stream of dividends that UFJ Holdings can pay to shareholders over the next five years while maintaining its target ratio of Tier I capital to risk-weighted assets and (2) the present value of the terminal value, calculated by applying price-to-earnings multiples to forecasted earnings for the fiscal year ending March 31, 2010. Merrill Lynch and JPMorgan assumed a target ratio of Tier I capital ranging from 5.5% to 7.5%. In calculating a terminal value, Merrill Lynch and JPMorgan applied price-to-earnings multiples ranging from 11.0x to 13.0x to forecasted earnings for the fiscal year ending March 31, 2010. The dividend stream and terminal values were then discounted using discount rates ranging from 8.0% to 10.0%. Merrill Lynch and JPMorgan viewed these rates as the appropriate range of discount rates for a company with UFJ Holdings risk characteristics and based upon an analysis of the comparable cost of equity for UFJ Holdings and other comparable financial groups. For the purposes of such analysis, Merrill Lynch and JPMorgan utilized estimates of UFJ Holdings senior management of risk-weighted assets, estimates of UFJ Holdings senior management of earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2010 and IBES estimates of earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2007. Merrill Lynch and JPMorgan further assumed earnings growth of 10% per year for the fiscal years ending March 31, 2008, March 31, 2009 and March 31, 2010 from the respective prior fiscal year to derive IBES earnings estimates for the fiscal years ending March 31, 2008, March 31, 2009 and March 31, 2010. In all cases, Merrill Lynch and JPMorgan deducted ¥700 billion, as the amount of Series 1 class E preferred shares of UFJ Bank, from the aggregate sum of the present value of the stream of dividends and the present value of the terminal value. Based on this analysis, Merrill Lynch and JPMorgan derived an implied valuation per UFJ Holdings common share of ¥467,710 to ¥618,265 using IBES earnings estimates and ¥519,123 to ¥679,002 using UFJ Holdings management s earnings estimates.

Table of Contents

MTFG Common Shares

Analysis of Historical Stock Price of MTFG Common Shares

Merrill Lynch and JPMorgan reviewed the recent trading performance of MTFG common shares. The per share closing price trading data for the previous day, one-week average and one-month average for each of (1) April 20, 2005, (2) February 18, 2005, which is the date on which the merger ratio was agreed by UFJ Holdings and MTFG, (3) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (4) July 14, 2004, which is the date on which the merger discussions with MTFG became public, is summarized in the table below.

	Reference Date			
	April 20, 2005	Agreement of Merger Ratio (February 18, 2005)	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of Merger Discussions with MTFG (July 14, 2004)
Previous Day	¥ 908,000	¥ 973,000	¥ 1,040,000	¥ 959,000
1 Week Average	918,800	988,750	1,034,000	938,000
1 Month Average	936,905	985,500	1,012,136	958,545

Comparable Companies Analysis

Merrill Lynch and JPMorgan reviewed certain publicly available financial, operating and stock market information for the four largest financial groups in Japan. These companies were: UFJ Holdings, MTFG, SMFG and Mizuho Financial Group, Inc.

For each of these companies, Merrill Lynch and JPMorgan calculated the ratio of the closing stock price on April 19, 2005 to estimated earnings per share for the fiscal years ending March 31, 2006 and March 31, 2007 using IBES estimates and actual book value per share as of December 31, 2004 and then derived ranges of imputed valuations for MTFG common shares. The results of this analysis are set forth below:

	April 19, 2005		Price-to-Earnings Ratio (IBES)[1]		Price-to-Book Ratio
	Price	Market Capitalization	2006 Estimates	2007 Estimates	December 31, 2004 Actual
		(in billions)			
UFJ Holdings	¥ 550,000	¥ 2,840	13.5x	10.8x	3.21x
MTFG	908,000	5,943	14.2x	12.4x	1.39x
SMFG	688,000	4,315	12.9x	11.4x	2.26x
Mizuho Financial Group	482,000	5,778	17.1x	15.0x	2.32x

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

	Multiple		Per Share Value	
	Minimum	Maximum	MTFG	
Price-to-earnings multiple[1] (2006 IBES and MTFG Estimates)	15.0x	17.0x	¥ 764,452	¥ 1,085,762
Price-to-earnings multiple[1] (2007 IBES and MTFG Estimates)	13.0x	15.0x	861,932	1,095,690
Price-to-book value multiple (December 31, 2004 Actual)	1.5x	2.5x	981,129	1,635,216

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

By multiplying each of MTFG s estimated earnings per share for the fiscal year ending March 31, 2006, as estimated by IBES and MTFG, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2006, Merrill Lynch and

Table of Contents

JPMorgan derived a range of imputed valuations for holders of MTFG common shares of ¥764,452 to ¥1,085,762. By multiplying each of MTFG s estimated earnings per share for the fiscal year ending March 31, 2007, as estimated by IBES and MTFG, by the minimum and maximum multiples derived from the comparable companies estimated price-to-earnings multiples for the fiscal year ending March 31, 2007, Merrill Lynch and JPMorgan derived a range of imputed valuations for holders of MTFG common shares of ¥861,932 to ¥1,095,690. By multiplying MTFG s actual book value per share as of December 31, 2004 by the minimum and maximum multiples derived from the comparable companies actual book value per share as of December 31, 2004, Merrill Lynch and JPMorgan derived a range of imputed valuations for MTFG common shares of ¥981,129 to ¥1,635,216.

Discounted Cash Flow Analysis

Merrill Lynch and JPMorgan performed a discounted cash flow analysis using the dividend discount model to estimate a range of present values per MTFG common share assuming MTFG continued to operate as a stand-alone entity. This range was determined by adding (1) the present value of the stream of dividends that MTFG can pay to shareholders over the next five years while maintaining its target ratio of Tier I capital to risk-weighted assets and (2) the present value of the terminal value, calculated by applying price-to-earnings multiples to forecasted earnings for the fiscal year ending March 31, 2010. Merrill Lynch and JPMorgan assumed a target ratio of Tier I capital ranging from 5.5% to 7.5%. In calculating a terminal value of MTFG common shares, Merrill Lynch and JPMorgan applied price-to-earnings multiples ranging from 11.0x to 13.0x to forecasted earnings for the fiscal year ending March 31, 2010. The dividend stream and terminal values were then discounted using discount rates ranging from 7.0% to 9.0%. Merrill Lynch and JPMorgan viewed these rates as the appropriate range of discount rates for a company with MTFG s risk characteristics and based upon an analysis of the comparable cost of equity for MTFG and other comparable financial groups. For the purposes of such analysis, Merrill Lynch and JPMorgan utilized estimates of MTFG s senior management of risk-weighted assets, estimates of MTFG s senior management of earnings for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2010 and IBES earnings estimates for the period from the fiscal year ending March 31, 2006 to the fiscal year ending March 31, 2007. Merrill Lynch and JPMorgan further assumed earnings growth of 10% per year for the fiscal years ending March 31, 2008, March 31, 2009 and March 31, 2010 from the respective prior fiscal year to derive IBES earnings estimates for the fiscal years ending March 31, 2008, March 31, 2009 and March 31, 2010. In all cases, Merrill Lynch and JPMorgan deducted ¥250 billion, as the amount of First Series Class 3 preferred shares of MTFG, from the aggregate sum of the present value of the stream of dividends and the present value of the terminal value. Based on this analysis, Merrill Lynch and JPMorgan derived an implied valuation per MTFG common share of ¥959,677 to ¥1,228,815 using IBES earnings estimates and ¥882,852 to ¥1,146,121 using earnings estimates of MTFG senior management.

Analysis of Agreed Merger Ratio with MTFG

Based on their assessments of the fair value of UFJ Holdings common shares and MTFG common shares, Merrill Lynch and JPMorgan determined implied merger ratio ranges and the implied premium of the agreed merger ratio of 0.62 of a MTFG common share per UFJ Holdings common share. Merrill Lynch and JPMorgan also assessed the agreed merger ratio of 0.62 of a MTFG common share for each UFJ Holdings common share using several additional methodologies, including a contribution analysis, a pro forma earnings-per-share accretion/dilution analysis and a value creation analysis.

Implied Merger Ratio Based on Stock Price

Merrill Lynch and JPMorgan determined implied merger ratios based on their reviews of the recent trading performance of UFJ Holdings common shares and MTFG common shares and compared these implied merger ratio ranges with the agreed merger ratio of 0.62 of a MTFG common share per UFJ Holdings common share. The merger ratios implied by the per share closing price trading data for the previous day, one-week average and one-month average for each of (1) April 20, 2005, (2) February 18, 2005, which is the date on which the merger ratio was agreed by UFJ Holdings and MTFG, (3) July 30, 2004, which is the date on which the SMFG merger

96

proposal became public, and (4) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date			
	April 20, 2005	Agreement of Merger Ratio (February 18, 2005)	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of Merger Discussions with MTFG (July 14, 2004)
Previous Day	0.61	0.58	0.39	0.49
1 Week Average	0.61	0.57	0.42	0.48
1 Month Average	0.60	0.60	0.45	0.51

Implied Premium of Agreed Merger Ratio

Merrill Lynch and JPMorgan determined the implied premium of the agreed merger ratio of 0.62 of a MTFG common share per UFJ Holdings common share for the UFJ Holdings common shares based on the recent trading performance of UFJ Holdings common shares and MTFG common shares. The implied premium based on the per share closing price trading data for the previous day, one-week average and one-month average for each of (1) April 20, 2005, (2) February 18, 2005, which is the date on which the merger ratio was agreed by UFJ Holdings and MTFG, (3) July 30, 2004, which is the date on which the SMFG merger proposal became public, and (4) July 14, 2004, which is the date on which the merger discussions between UFJ Holdings and MTFG became public, is summarized in the table below.

	Reference Date			
	April 20, 2005	Agreement of Merger Ratio (February 18, 2005)	Leak of SMFG Merger Proposal (July 30, 2004)	Leak of Merger Discussions with MTFG (July 14, 2004)
Previous Day	2.4%	6.0%	59.2%	26.0%
1 Week Average	2.3%	8.5%	48.7%	28.4%
1 Month Average	2.5%	3.5%	38.2%	21.3%

Contribution Analysis

Merrill Lynch and JPMorgan compared UFJ Holdings and MTFG common shareholders respective percentage ownership of the combined entity of 41.2% and 58.8%, respectively, to UFJ Holdings and MTFG s respective contribution (and the implied ownership based on such contribution) to the combined entity using estimates of net income of both the respective companies management and IBES for the fiscal years ending March 31, 2006 and March 31, 2007, actual BIS capital as of December 31, 2004, actual book value as of December 31, 2004, actual adjusted book value as of September 30, 2004 and market capitalization on a fully-diluted basis of UFJ Holdings and MTFG as of April 19, 2005. The results of this analysis are summarized in the table below.

	Total Value Contribution (Fully Diluted)		
	UFJ Holdings	MTFG	UFJ Holdings/ MTFG Ratio Per Share
Net Income (2006 Estimated IBES)[1]	41.9%	58.1%	0.64
Net Income (2007 Estimated IBES)[1]	44.0%	56.0%	0.69
Net Income (2006 Estimated Company)[1]	49.0%	51.0%	0.85
Net Income (2007 Estimated Company)[1]	45.5%	54.5%	0.74
BIS Capital (December 31, 2004 Actual)	43.5%	56.5%	0.68
Book Value (December 31, 2004 Actual)	22.9%	77.1%	0.26
Adjusted Book Value (September 30, 2004 Actual)	18.1%	81.9%	0.19
Market Capitalization (April 19, 2005)	40.7%	59.3%	0.61

(1) In each case, estimates are for the fiscal year ending March 31 of the year indicated.

Table of Contents

Pro Forma Earnings-Per-Share Accretion/Dilution Analysis

Merrill Lynch and JPMorgan analyzed the financial impact of the merger on the estimated earnings per share for MTFG common shares, using the estimated after-tax synergies expected by UFJ Holdings and MTFG senior management to result from the merger as well as UFJ Holdings and MTFG earnings estimates for the fiscal year ending March 31, 2006 through the fiscal year ending March 31, 2009 based on UFJ Holdings and MTFG management and IBES earnings forecasts. Merrill Lynch and JPMorgan further assumed earnings growth of 10% per year for the fiscal years ending March 31, 2008, March 31, 2009 and March 31, 2010 from the respective prior fiscal year to derive IBES earnings estimates of both UFJ Holdings and MTFG for the fiscal years ending March 31, 2008, March 31, 2009 and March 31, 2010. This analysis indicated that with after-tax synergies, the merger would be approximately 34.9% dilutive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2006, approximately 0.4% dilutive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2007, approximately 10.1% accretive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2008 and approximately 22.6% accretive to management s estimate of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2009. This analysis also indicated that with after-tax synergies, the merger would be approximately 38.8% dilutive to IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2006, approximately 2.5% dilutive to the IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2007, approximately 4.0% accretive to IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2008 and approximately 15.6% accretive to IBES estimates of MTFG s fully-diluted earnings per share for the fiscal year ending March 31, 2009.

Value Creation Analysis

Merrill Lynch and JPMorgan analyzed the value created by the merger based on the April 19, 2005 share prices of UFJ Holdings common shares and MTFG common shares, in each case on a fully-diluted basis, and the net present value of after-tax synergies expected by UFJ Holdings and MTFG s management as a result of the merger. Based on the April 19, 2005 price of UFJ Holdings common shares of ¥550,000 and UFJ Holdings market capitalization on a fully-diluted basis of approximately ¥4,073 billion, the April 19, 2005 price of MTFG common shares of ¥908,000 and MTFG market capitalization on a fully-diluted basis of approximately ¥5,940 billion, and the net present value of the synergies expected by UFJ Holdings and MTFG s management calculated based upon a discount rate of 8.5% and a terminal earnings multiple of 12.0x, the combined entity s value per share will be ¥989,462 and the implied value per UFJ Holdings common share is ¥613,466 on a fully-diluted basis. Therefore, Merrill Lynch and JPMorgan calculated that the value created per UFJ Holdings common share will be ¥63,466 (11.5% of its April 19, 2005 market value) on a pro forma basis and that the value created per MTFG common share will be ¥81,462 (9.0% of its April 19, 2005 market value) on a pro forma basis.

Forward-Looking Financial Information

Although MTFG and UFJ Holdings have both announced from time to time their future targets regarding selected financial measures, neither, as a matter of course, makes public detailed financial projections. In the course of negotiations, however, certain forward-looking financial information relating to MTFG and UFJ Holdings were provided to each other and to their respective financial advisors for use by the financial advisors in formulating their respective opinions. The forward-looking financial information was prepared with reference to the Japanese GAAP historical financial statements of MTFG and UFJ Holdings, and was prepared by the respective companies for internal use based on expectations of individual business units. The non-public information provided by MTFG and UFJ Holdings was provided pursuant to nondisclosure agreements. The projections summarized below are included in this prospectus solely because the information was exchanged between the two companies and their financial advisors.

In early April 2005, MTFG s management provided to UFJ Holdings certain forward-looking financial information summarized below. Similarly, UFJ Holdings management provided to MTFG certain forward-

98

looking financial information summarized below. The forward-looking financial information was based on assumptions, which MTFG s and UFJ Holdings management believed were reasonable at the time, and the information known by MTFG s and UFJ Holdings management, as the case may be, at the time.

Deloitte Touche Tohmatsu and ChuoAoyama PricewaterhouseCoopers have not examined, compiled or reviewed the forward-looking financial information set forth below or performed any procedures with respect to the information. Accordingly, Deloitte Touche Tohmatsu and ChuoAoyama PricewaterhouseCoopers do not express any opinion or any other form of assurance with respect to the forward-looking financial information. The reports of Deloitte Touche Tohmatsu and ChuoAoyama PricewaterhouseCoopers included in this prospectus relate to the historical consolidated financial statements of MTFG and UFJ Holdings, respectively, prepared in accordance with U.S. GAAP. The reports do not extend to the historical financial information prepared in accordance with Japanese GAAP and they do not extend to the forward-looking financial information set forth below and should not be read to do so.

None of the forward-looking financial information summarized below was prepared with a view towards public disclosure or compliance with published guidelines of the American Institute of Certified Public Accountants or the Japanese Institute of Certified Public Accountants regarding forecasts and projections. Accordingly, this information does not include disclosure of all information required by the guidelines on projections published by the American Institute of Certified Public Accountants and the Japanese Institute of Certified Public Accountants, and the results could be materially different had MTFG and UFJ Holdings complied with such guidelines. In addition, the information was not prepared in accordance with the published guidelines of the SEC.

The forward-looking financial information summarized below reflect numerous assumptions with respect to business, economic, regulatory, competitive and market conditions and other matters, all of which are difficult to predict and many of which are beyond the control of the company as to which the forward-looking financial information were prepared. The management of MTFG and UFJ Holdings is responsible for making the various assumptions and preparing the forward-looking financial information for their respective companies. However, there can be no assurance that the assumptions made in preparing the forward-looking financial information summarized below will prove accurate. In addition, because the forward-looking financial information was prepared in early April 2005, some of the assumptions that MTFG and UFJ Holdings used may now be outdated. Accordingly, the actual financial results of each company may differ materially from those reflected in the forward-looking financial information. In light of the uncertainties inherent in forward-looking information of any kind, MTFG and UFJ Holdings caution against placing undue reliance on any of the information summarized below. For information concerning the variety of factors which may cause the future financial results of each company for which projections are summarized below to materially vary from such projected results, see Risk Factors and Cautionary Statement Concerning Forward-Looking Statements. Neither MTFG nor UFJ Holdings intends to update or revise any of the forward-looking financial information summarized below to reflect circumstances existing after the date they were prepared or to reflect the occurrence of future events. None of the forward-looking financial information should be viewed as a representation by MTFG, UFJ Holdings or any of their advisors or representatives that the forecasts reflected therein will be achieved.

Moreover, each of MTFG and UFJ Holdings prepared the forward-looking financial information summarized below with reference to its Japanese GAAP historical financial statements. The financial statements included in this prospectus are prepared in accordance with U.S. GAAP. In the future, MTFG will not prepare its financial statements filed with the SEC in accordance with Japanese GAAP, but will continue to prepare such financial statements in accordance with U.S. GAAP. There are significant differences between Japanese GAAP and U.S. GAAP. A reverse reconciliation from U.S. GAAP to Japanese GAAP of MTFG s shareholders equity as of September 30, 2004 and MTFG s net income for the six months ended September 30, 2004 is included in Annex E to this prospectus, and a reverse reconciliation from U.S. GAAP to Japanese GAAP of UFJ Holdings shareholders equity as of September 30, 2004 and UFJ Holdings net income for the six months ended

Table of Contents

September 30, 2004 is included in Annex G to this prospectus. However, this discussion of differences is not necessarily indicative of the differences that would exist if the forward-looking financial information had been based on U.S. GAAP. No attempt has been made to determine the impact on shareholders equity or net income of either MTFG or UFJ Holdings of applying U.S. GAAP to the information presented below. **The forward-looking financial information set forth below could be materially different had it been based on U.S. GAAP.**

The projected consolidated net income information provided by each of MTFG and UFJ Holdings to each other and their respective financial advisors is as follows:

	For fiscal year ending March 31,				
	2006	2007	2008	2009	2010
			(in billions)		
Projected consolidated net income prepared with reference to historical Japanese GAAP financial information for:					
MTFG	¥ 339.4	¥ 439.8	¥ 485.5	¥ 535.3	¥ 605.3
UFJ Holdings	499.9	422.1	427.3	469.6	525.8

Material Assumptions

The projected consolidated net income information set forth above was based on various assumptions and strategic goals. The material assumptions include the following:

- MTFG and UFJ Holdings assumed that, although there will be some fluctuations, interest rates in Japan will generally increase during the periods set forth above, including the following increases:

	For the fiscal year ending March 31,				
	2006	2007	2008	2009	2010
Assumed average interest rate for the period for:					
Unsecured call loans	0.00%	0.15%	0.23%	0.30%	0.44%
Three-month TIBOR	0.13	0.29	0.41	0.46	0.64
10-year Japanese government bonds	1.81	2.22	2.29	2.29	2.58

- MTFG and UFJ Holdings assumed that, although there will be some fluctuations, interest rates outside of Japan will generally increase during the periods set forth above, including the following increases:

	For the fiscal year ending March 31,				
	2006	2007	2008	2009	2010

Assumed average interest rate for the period for:					
Federal Funds target rate	2.8%	3.7%	3.8%	3.8%	3.8%
Three-month U.S. dollar LIBOR	3.1	3.9	3.9	4.0	4.0
10-year U.S. Treasury bonds	4.8	5.4	5.1	5.1	5.2

- MTFG and UFJ Holdings assumed that, although there will be some fluctuations, the Japanese economy in general will continue to grow during the periods set forth above. Specifically, MTFG and UFJ Holdings assumed real GDP will grow by 1.1% for the fiscal year ending March 31, 2006, 1.9% for the fiscal year ending March 31, 2007, 1.0% for the fiscal year ending March 31, 2008, 1.8% for the fiscal year ending March 31, 2009 and 2.3% for the fiscal year ending March 31, 2010.

- MTFG and UFJ Holdings assumed that, although there will be some fluctuations, the Japanese stock market will generally increase during the two fiscal years ending March 31, 2007, temporarily decline in the fiscal year ending March 31, 2008, and subsequently recover in the two fiscal years ending March 31, 2010. Specifically, MTFG and UFJ Holdings assumed that the Nikkei Stock Average will be ¥13,000 at the end of the fiscal year ending March 31, 2006, ¥12,500 at the end of the fiscal year ending March 31, 2007, ¥13,500 at the end of the fiscal year ending March 31, 2008, ¥14,000 at the end of the fiscal year ending March 31, 2009 and ¥16,500 at the end of the fiscal year ending March 31, 2010.

Table of Contents

- MTFG and UFJ Holdings assumed that foreign currency exchange rates will remain relatively stable during the periods set forth above. Specifically, they assumed that the U.S. dollar-Japanese yen exchange rate will remain at around $1.00 = ¥105.

- MTFG and UFJ Holdings assumed that they will be successful in implementing their respective business strategies, including internal growth initiatives and planned acquisitions.

- MTFG and UFJ Holdings made assumptions about the levels of reserves for credit losses. As part of those assumptions, UFJ Holdings assumed that there will be a release of some reserves for credit losses in the fiscal years ending March 31, 2006 and 2007.

Many of the assumptions and estimates that MTFG and UFJ Holdings made in preparing the forward-looking financial information summarized above, including the material assumptions set forth above, are subject to contingencies and uncertainties, many of which are beyond the control of MTFG and UFJ Holdings, and may be prove to be wrong. As a result, the actual results of MTFG, UFJ Holdings and the combined entity could be materially different from the projected net income set forth above.

Structure of the Merger

The merger will be conducted by alloting shares of MTFG to former UFJ Holdings shareholders pursuant to the Commercial Code of Japan. The terms of the merger are set forth in the merger agreement. Upon the merger, UFJ Holdings will merge into MTFG, with MTFG being the surviving entity. Concurrently, the surviving entity will be renamed Mitsubishi UFJ Financial Group, Inc. UFJ Holdings shareholders of record as of the date one day prior to the date of the merger will receive shares of MTFG common stock in accordance with the agreed merger ratio. Under the integration agreement and the merger agreement, the merger ratio was set at 0.62 shares of MTFG common stock for each share of UFJ Holdings common stock. If the merger agreement is approved and if the other conditions specified in the merger agreement are satisfied, MTFG and UFJ Holdings will merge on the date of the merger specified in the merger agreement, which is proposed to be October 1, 2005. The merger will become legally effective when the registration is made, which date is expected to be on or around October 3, 2005.

In accordance with the Commercial Code of Japan, if any fractional shares of MTFG common stock would otherwise be allotted to holders of UFJ Holdings common stock as a result of the allotment of shares of MTFG common stock for every share of UFJ Holdings common stock at the merger ratio set forth in the merger agreement, such fractional shares representing MTFG shares less than integral multiples on 1% of one share will not be issued to the respective shareholders, and the shares representing the aggregate of all such fractional shares will be sold in the Japanese market and the net cash proceeds from the sale will be distributed to the former holders of UFJ Holdings common stock on a proportionate basis in accordance with the respective fractions, but disregarding fractional yen amounts. Fractional shares representing the integral multiples of 1% of one share will be entered or recorded in the fractional share register of MTFG.

Holders of UFJ Holdings preferred stock are currently expected to receive shares of MTFG preferred stock as follows:

- Holders of class II preferred shares of UFJ Holdings: an equal number of shares of class 8 preferred shares newly issued by MTFG

- Holders of class IV preferred shares of UFJ Holdings: an equal number of shares of class 9 preferred shares newly issued by MTFG

- Holders of class V preferred shares of UFJ Holdings: an equal number of shares of class 10 preferred shares newly issued by MTFG

- Holders of class VI preferred shares of UFJ Holdings: an equal number of shares of class 11 preferred shares newly issued by MTFG

- Holders of class VII preferred shares of UFJ Holdings: an equal number of shares of class 12 preferred shares newly issued by MTFG

101

In accordance with their terms, each UFJ Holdings class I preferred share outstanding as of August 1, 2005 will be mandatorily converted into shares of UFJ Holdings common stock at a conversion ratio of ¥3,000,000 divided by the higher of (a) the average market price of UFJ Holdings common stock for a specified period before August 1, 2005 and (b) ¥750,000. Prior to August 1, 2005, holders of UFJ Holdings class I preferred shares may also elect to convert the preferred shares into common stock. Following the conversion, holders of the class I preferred shares will receive the merger consideration on the same basis as the common shareholders of UFJ Holdings as described above. Holders of the class I preferred shares, however, will be entitled to vote at UFJ Holdings general meeting of shareholders and at a separate class preferred shareholders meeting in June 2005. See General Meeting of UFJ Holdings Shareholders Voting Voting Rights.

An English translation of the relevant provisions of the Commercial Code of Japan is included in this prospectus as Annex C.

Conditions to the Merger

The consummation of the merger is conditioned upon the approval of a special resolution of the general meetings of shareholders of each of MTFG and UFJ Holdings expected to be held on June 29, 2005.

Under the Commercial Code of Japan and its articles of incorporation, for UFJ Holdings a special resolution requires a quorum comprising the holders of one-third of the total issued common shares and the total preferred shares voting together with the common shares at the general meeting of shareholders. The class I, class II, class IV, class V, class VI and class VII preferred shares of UFJ Holdings, which in the aggregate and as of March 31, 2005 represented 12.10% of the total number of shares entitled to vote, are voting together with the common stock shareholders at the ratio of one vote for one preferred share because a proposal to pay the full amount of preferential dividends on those classes of preferred shares is not included in the agenda of the meeting. Under the Commercial Code of Japan and its articles of incorporation, for MTFG a special resolution requires a quorum comprising the holders of one-third of the total issued common shares.

The following shares, however, will not be entitled to vote at, and will not be counted in determining the required quorum for, the general shareholders meetings of UFJ Holdings or MTFG, as the case may be:

- treasury shares held by UFJ Holdings or MTFG, as the case may be;
- shares held by entities in which UFJ Holdings (together with its subsidiaries) or MTFG (together with its subsidiaries), as the case may be, holds more than 25% of the voting rights; and
- share issued after the applicable record date.

The special resolution regarding the merger is required to be approved at UFJ Holdings general meeting of shareholders by an affirmative vote of two-thirds of the shares of common stock with voting rights and the class I, class II, class IV, class V, class VI and class VII preferred shares voting together with the common shares represented at the general meeting. The special resolution is also required to be approved at MTFG s general meeting of shareholders by an affirmative vote of two-thirds of the shares of common stock with voting rights represented at the general meeting.

As of March 31, 2005, there were 6,543,353 shares of MTFG common stock issued, excluding 2,898 shares of treasury stock. Of these, 395,075 shares, representing 6.1% of the voting rights, were held of record by MTFG s directors, executive officers, corporate auditors and their affiliates. Additionally, 17,800 shares, representing 0.3% of the voting rights, were held of record by UFJ Holdings directors, executive officers, corporate auditors and their affiliates. As of March 31, 2005, there were 5,165,292 shares of UFJ Holdings common stock issued, excluding 4,430 shares of treasury stock, and 706,551 shares of preferred stock having voting rights at the general meeting of shareholders of UFJ Holdings in June 2005. Of these, 57,483 shares of common stock, representing 1.1% of the voting rights, were held of record by UFJ Holdings directors, executive officers, corporate auditors and their affiliates. Additionally, 66,154 shares of common stock, representing 1.3%

of the voting rights, were held of record by MTFG s directors, executive officers, corporate auditors and their affiliates. 700,000 shares of UFJ Holdings class II, class IV, class V and class VII preferred stock, representing approximately 12.0% of the total voting rights, were held by the Resolution and Collection Corporation.

The merger agreement is required to be approved at the general meeting of shareholders of both MTFG and UFJ Holdings. If there is a procedural defect in the consummation of the merger, any MTFG or UFJ Holdings shareholder, director, corporate auditor, liquidator, bankruptcy trustee or creditor who disapproved the merger may file a lawsuit asserting that the merger is null and void within six months following the effective date of the merger. See Risk Factors Risks Relating to the Merger A successful legal challenge to the validity of the merger following its completion may invalidate the shares of MTFG issued in the merger.

In addition, the terms of the merger agreement are also required to be approved at each class shareholders meeting of both MTFG and UFJ Holdings by the affirmative vote of two-thirds of the issued shares for the relevant class represented at each such class shareholders meeting. The required quorum at each of these class shareholders meetings is a majority of the total issued shares with voting rights for the relevant class.

The merger also needs to be approved by the Prime Minister of Japan before its effective date. MTFG will file an application for such approval through the Financial Services Agency once the merger agreement is approved at the relevant shareholders meetings. Furthermore, a filing needs to be made with the Fair Trade Commission of Japan at least 30 days prior to the effective date of the merger. Certain conditions of the merger may be modified, or the effective date of the merger may be postponed, by the above-mentioned authorities.

The merger also requires the prior approval of the U.S. Board of Governors of the Federal Reserve System. Notice to, or the prior approval of, state bank regulatory authorities in certain states within the United States in which MTFG and UFJ Holdings have subsidiaries or branch offices also will be required. Depending upon the ways in which certain subsidiaries of MTFG and UFJ Holdings will be combined, transactions in connection with the merger may also require the prior approval of applicable bank regulatory authorities.

Description of Material Merger Terms

Integration Agreement

On February 18, 2005, MTFG, Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Mitsubishi Securities Co., Ltd., together with UFJ Holdings, UFJ Bank, UFJ Trust Bank and UFJ Tsubasa Securities Co., Ltd., entered into an integration agreement that sets forth certain terms and conditions of the merger, including, among other things, the form of merger, the new names of the combined entities and the merger ratio. Following execution of the integration agreement, a merger agreement as contemplated by the Commercial Code of Japan was entered into separately between each of the respective group entities, namely between each holding company, bank, trust bank and securities company. Each of these merger agreements confirmed the terms and conditions of merger described below. The integration agreement was subsequently amended on April 20, 2005, as described below. The following description is a summary of the integration agreement and the entire text of such agreement is included in this prospectus as part of Annex A.

Form of each merger

Each of the entities on the UFJ side will be merged with and into an entity on the MTFG side according to the table below. The MTFG side entities will be the surviving entities in each merger, and the names of the combined entities following the mergers are also indicated below.

MTFG Side	UFJ Side	Surviving Entity s Name
MTFG	UFJ Holdings	Mitsubishi UFJ Financial Group, Inc.
Bank of Tokyo-Mitsubishi	UFJ Bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mitsubishi Trust Bank	UFJ Trust Bank	Mitsubishi UFJ Trust and Banking Corporation
Mitsubishi Securities	UFJ Tsubasa Securities	Mitsubishi UFJ Securities Co., Ltd.

Table of Contents

The combined entities will have their respective head offices in Tokyo.

Execution of the merger agreements and date of the mergers

Each of the entities is scheduled to enter a merger agreement, respectively, before the last day of April 2005. The date of each merger will be October 1, 2005, which date may be changed when necessary upon consultation between the respective entities. It is stated in the integration agreement that the merger agreements of all the entities will be terminated if the merger agreement is not approved at the shareholders meetings of the holding companies. Conversely, if a merger agreement relating to the mergers of the bank, trust bank or securities subsidiaries is not approved at the shareholders meetings of the relevant subsidiaries, only the relevant merger agreement will be terminated. Other causes of termination will be agreed upon consultation between the relevant entities.

Merger ratios

Each of the entities on the MTFG side will allot and deliver the following number of shares to shareholders of each of the entities on the UFJ side listed on their register of shareholders as of the day immediately preceding the date of the merger:

- 0.62 shares of MTFG common stock for one share of UFJ Holdings common stock;
- one share of each of the five classes of preferred shares of MTFG for one share of each of class II preferred shares, class IV preferred shares, class V preferred shares, class VI preferred shares and class VII preferred shares of UFJ Holdings, with substantially the same terms as the terms of those class shares except for modifications necessary to adjust their conversion prices in conformity with the merger ratio;
- 0.62 shares of Bank of Tokyo-Mitsubishi common stock for one share of UFJ Bank common stock;
- one share of each of the six classes of preferred shares of Bank of Tokyo-Mitsubishi for one share of each of Series 1 class A preferred shares, Series 1 class D preferred shares, Series 2 class D preferred shares, Series 1 class E preferred shares, Series 1 class F preferred shares and Series 2 class F preferred shares of UFJ Bank, with substantially the same terms as the terms of those class shares except for modifications necessary to adjust their conversion prices in conformity with the merger ratio;
- 0.62 shares of Mitsubishi Trust Bank common stock for one share of UFJ Trust Bank common stock;
- one share of a class preferred share of Mitsubishi Trust Bank for one share of each of class I series 1 preferred shares and class I series 2 preferred shares of UFJ Trust Bank, with substantially the same terms as the terms of those class shares except for modifications necessary to adjust their conversion prices in conformity with the merger ratio; and
- 0.42 shares of Mitsubishi Securities common stock for one share of UFJ Tsubasa Securities common stock.

Occurrence of Material Adverse Effect

The MTFG side and the UFJ side have agreed, upon the occurrence of any material adverse effect on or after the date of the integration agreement, to use reasonable best efforts to consult in good faith with respect to the terms and conditions of the mergers. For purposes of the integration agreement, the term material adverse effect means, with respect to the relevant party,

- an effect which is material and adverse to its financial condition, results of operations, cash flow, business or future revenue plan, on a consolidated basis, or
- an obstacle which is material to the ability to timely perform any important obligation prescribed in the integration agreement or the relevant merger agreement.

Table of Contents

Covenants

Each party to the integration agreement has agreed to:

- use its reasonable best efforts to obtain approval of its merger agreement at its annual shareholders meeting and each class shareholders meeting (if any), which efforts include (i) actively promoting its shareholders to approve the merger agreement and (ii) stating in the mail-in voting cards that such cards which do not indicate a for or against vote for the approval of the merger agreement shall be deemed as having voted for the approval;
- use its reasonable best efforts to obtain approvals, permissions, etc. from relevant authorities, both domestic and foreign;
- use its reasonable best efforts to maintain the listing of its shares on stock exchanges (including foreign exchanges);
- use its reasonable best efforts to prepare necessary documents and take other necessary procedures required under the U.S. Securities Act (including the preparation of financial statements based on U.S. GAAP and a registration statement on Form F-4 and submission of satisfactory comfort letters of accountants); and
- inform the other party upon receipt of a proposal, contact or inquiry from a third party (third-party proposal) regarding any capital alliance, business alliance or transfer of the whole or an important part of its business or assets (including a transfer of shares, transfer of business, merger, corporate split, stock-for-stock exchange, stock-for-stock transfer or any other action which substantially has the same effect as a transfer of an important part of the business or assets, except for any arrangements to make Mitsubishi Securities a direct subsidiary of MTFG) (each of the foregoing being referred to as an alternative alliance) and provide a copy of any documents received from such third party and update the other party in a timely manner on the status of any such third party proposal, contact or inquiry.

Each party has also agreed not to:

- enter or effect any agreement for an alternative alliance;
- propose or solicit an alternative alliance;
- discuss or negotiate an alternative alliance with or provide directly or indirectly, information in relation to an alternative alliance to a third party;
- include in the agenda of its shareholders meeting any matter relating to an alternative alliance (unless such matter has been properly proposed by a shareholder in accordance with the Commercial Code of Japan); or
- express an opinion in favor of a tender offer which is not conducted by the other party.

Third-Party Proposals

MTFG and UFJ Holdings have agreed that:

- If either of them (the receiving party) receives a third-party proposal regarding an alternative alliance before MTFG and UFJ Holdings execute a merger agreement, and the receiving party reasonably determines that the failure to consider the proposal would likely result in a breach of the fiduciary duties of their directors or corporate auditors under the Commercial Code of Japan, it shall promptly notify the other party (the non-receiving party) of such determination, together with a copy of the proposal, and both parties shall commence good faith discussions with respect to a response to the third party.

- If, after notifying and consulting with the non-receiving party, the receiving party enters into a confidentiality agreement with the third party that imposes, upon the third party, confidentiality obligations not less stringent than those imposed by the receiving party on the non-receiving party, the

105

receiving party shall be entitled to negotiate with and provide information to the third party; *provided, however*, that the receiving party shall promptly give a copy of any document it receives from or gives to the third party to the non-receiving party and provide the non-receiving party with information about the discussions with the third party in reasonable detail promptly after such discussions.

- The non-receiving party shall, within ten days from the receipt of the notification described above, have the option to offer new terms and conditions of the proposed merger to the receiving party. Immediately upon the expiration of the ten-day period, MTFG and UFJ Holdings shall commence good faith discussions on how to proceed thereafter in light of the terms and conditions of the merger (including any newly offered terms) and the third-party proposal, taking into consideration all related circumstances. If, as the result of such discussions, MTFG and UFJ Holdings so agree, they may modify the terms and conditions of the proposed mergers, exempt the receiving party from obligations under the integration agreement, or terminate the integration agreement.

Representations and warranties

MTFG and UFJ Holdings have each made customary representations and warranties in the integration agreement, including:

- its recent financial reports and financial statements are in accordance with Japanese GAAP and fairly reflect its financial condition and have been audited by its accountants;
- no matter which has or could have a material adverse effect on such entity exists; and
- all the documents and information provided or disclosed to the other party in connection with the management integration are accurate and true in all material respects and do not include any materially false statement or omit any material fact which should be stated therein so as not to make it misleading and that such party is not aware of any information which could materially and adversely affect the management integration or such entity s business that has not been disclosed to the other party.

Effective period of the integration agreement

The effective period of the integration agreement will be until the earlier of June 29, 2005 or the cancellation or termination of the integration agreement. MTFG and UFJ Holdings may terminate the integration agreement, upon consultation with the other parties belonging to their side, when:

- the other holding company is in breach of its representations, warranties or obligations under such agreement, which breach would have a material adverse effect on the breaching party, and such breach is not cured by the earlier of 30 days after receiving written notice from the terminating party or June 28, 2005; or
- any event having a materially adverse effect on the other party occurs, and such event is not cured by the earlier of 30 days after receiving written notice from the other party or June 28, 2005.

Merger Agreement

On April 20, 2005, MTFG and UFJ Holdings entered into a merger agreement setting forth the final terms of the merger, including the proposed amendments to MTFG s articles of incorporation upon the merger and the details of the shareholders meetings at which the merger agreement and related matters necessary to complete the merger will be approved. The following description is a summary of the merger agreement, and the entire text of such agreement is included in this prospectus as Annex B.

Method of Merger and Scheduled Date of the Merger

MTFG will be the surviving entity and UFJ Holdings will be dissolved. The scheduled date of the merger is set at October 1, 2005. MTFG and UFJ Holdings may change the scheduled date of the merger upon consultation if necessary.

Merger Ratio

Upon the merger, MTFG will allot and deliver the following number of MTFG shares to UFJ Holdings shareholders listed on UFJ Holdings shareholder register as of the day immediately preceding the date of the merger:

- 0.62 shares of MTFG common stock for one share of UFJ Holdings common stock; and

- one share of each of five classes of preferred shares of MTFG for one share of each of class II preferred shares, class IV preferred shares, class V preferred shares, class VI preferred shares and class VII preferred shares of UFJ Holdings, with substantially the same terms as the terms of those shares except for modifications necessary to adjust their respective conversion prices in conformity with the merger ratio.

Amendments to the Articles of Incorporation of MTFG upon the Merger

The proposed amendments to the articles of incorporation of MTFG upon the merger are stated in the merger agreement and include, among others, the terms and conditions of the preferred shares to be newly issued by MTFG upon the merger.

Shareholders Meeting to Approve the Merger

MTFG and UFJ Holdings will hold their respective annual shareholders meetings on June 29, 2005, and seek shareholder approval of the merger agreement and related matters necessary for the merger at those meetings. MTFG and UFJ Holdings may change such schedule upon consultation if necessary.

Transfer and Management of Assets

UFJ Holdings shall transfer all of its assets, liabilities, rights and obligations to MTFG on the date of the merger based on its balance sheet or other calculations as of March 31, 2005 after making certain adjustments. MTFG and UFJ Holdings shall operate their respective businesses and manage and operate their respective assets with the due care of a prudent custodian after the execution of the merger agreement until the scheduled date of the merger. Before engaging in any activity that would have a material effect on its assets, rights and obligations, MTFG and UFJ Holdings shall consult with and obtain the consent of the other party.

Maximum Amount of Dividends

MTFG may pay dividends for each class of shares to the shareholders and registered pledgees entered or recorded in its register of shareholders as of the end of March 31, 2005, subject to approval at MTFG s annual shareholders meeting, up to a maximum total amount of ¥41,657,895,220 and as follows:

- common shares: ¥6,000 per share;
- class 1 preferred shares: ¥41,250 per share; and
- class 3 preferred shares: ¥7,069 per share.

MTFG may pay to the shareholders and registered pledgees entered or recorded in its register of shareholders as of the end of September 30, 2005, interim dividends for each class of shares, subject to a resolution of its board of directors, up to the maximum total amount of ¥22,636,060,110 and as follows:

- common shares: ¥3,000 per share; and
- class 3 preferred shares: ¥30,000 per share.

The initial date for calculating the dividends on the common shares to be issued by MTFG upon the merger shall be October 1, 2005.

Table of Contents

Amendment and Termination of the Merger Agreement

If an event occurs during the period from the execution of the merger agreement to the date of the merger that

- results in any material change to the financial or economic condition of MTFG or UFJ Holdings, or
- materially interferes with the execution of the merger,

MTFG and UFJ Holdings may amend the terms and conditions of the merger or terminate the merger agreement upon mutual agreement following consultation.

In the event that the performance of any obligations under the merger agreement would result in a breach of the fiduciary duties of MTFG s or UFJ Holdings directors or corporate auditors, and MTFG and UFJ Holdings agree as a result of mutual good-faith consultation, then MTFG and UFJ Holdings shall amend the merger agreement so as not to cause such breach.

Validity of the Merger Agreement

The merger agreement will be nullified if:

- approval for the merger agreement by the shareholders meetings of MTFG and UFJ Holdings is not obtained;
- an approval or authorization of the relevant authorities is not obtained before the scheduled date of the merger, or such approval or authorization is subject to conditions or limitations that may materially interfere with the execution of the merger; or
- the merger agreement is terminated by MTFG or UFJ Holdings upon mutual agreement following consultation.

Amendment to Integration Agreement

On April 20, 2005, MTFG, UFJ Holdings and other parties to the integration agreement, also entered into an amendment to the integration agreement for the purpose of specifying, among other matters, that MTFG will not allot its common shares in exchange for common shares of UFJ Holdings held by MTFG and for treasury shares held by UFJ Holdings, as well as other amendments and clarifications to the forms of the mergers between MTFG and UFJ Holdings respective bank, trust bank and securities company subsidiaries. The entire text of such amendment is included in this prospectus as part of Annex A.

Delivery of Share Certificates of UFJ Holdings and Allotment of Shares of MTFG

If the terms of the merger agreement are approved at the relevant general meetings of shareholders of MTFG and UFJ Holdings, UFJ Holdings will both give public notice and send individual notices of the merger to each of its shareholders and pledgees of record in its register of shareholders. The notices will request that shareholders submit their share certificates representing UFJ Holdings common stock within a specified period, not less than one month in duration, and inform them that their share certificates will become void if not submitted during that period.

Upon submission of UFJ Holdings share certificates, shareholders of UFJ Holdings will receive receipts to show that they submitted share certificates. In the event that the share certificates of UFJ Holdings are deposited with the Japan Securities Depository Center, Inc., such share certificates need not be actually submitted by each of the beneficial shareholders to UFJ Holdings within the submission period. The shares of UFJ Holdings common stock will be delisted three business days prior to the allotment record date (or four business days if the allotment record date is a holiday).

Table of Contents

Share certificates of MTFG common stock to be alloted, in the merger will be alloted, and mailed to the registered addresses of shareholders (in the case of shareholders not resident in Japan, to the registered addresses of their respective standing proxies in Japan) listed in the register of shareholders (where share certificates of UFJ Holdings common stock have been submitted during the submission period) or will be made available in exchange for share certificates of UFJ Holdings common stock (where share certificates of UFJ Holdings have not been so submitted), after the completion of the merger.

Voting Matters

As of March 31, 2005, there were 5,133,066 shares of UFJ Holdings common stock issued (excluding treasury shares) having voting rights, subject to limitations imposed by the articles of incorporation and Japanese law. Pursuant to the Commercial Code of Japan and its articles of incorporation, UFJ Holdings will send a mail-in voting card to each of its shareholders of record as of March 31, 2005 who have voting rights (or, for shareholders not resident in Japan, to their standing proxies) with respect to the matters to be considered at the relevant general meeting of shareholders, including the terms of the merger agreement. The cost of this distribution will be borne directly by UFJ Holdings. See General Meeting of UFJ Holdings Shareholders for a more detailed description of the vote required and the use and revocation of voting cards at the general meeting of shareholders.

Opposition Rights

Any UFJ Holdings shareholder who notifies UFJ Holdings in writing prior to the relevant general meeting of shareholders of his or her intention to oppose the merger, and who votes against approval of the terms of the merger agreement at the general meeting and complies with the other procedures set forth in the Commercial Code of Japan discussed below may demand that UFJ Holdings purchase his or her shares of UFJ Holdings stock at the fair value which such shares would have had but for the resolution approving the terms of the merger agreement. The failure of a shareholder of UFJ Holdings to provide such notice prior to the general meeting or to vote against approval of the terms of the merger agreement at the general meeting will in effect constitute a waiver of the shareholder s right to demand that UFJ Holdings purchase his or her shares of stock at the above fair value.

The demand referred to in the preceding paragraph must be made in writing and received by UFJ Holdings within 20 days from the date on which the resolution approving the terms of the merger agreement was adopted and should state the class and the number of shares held by such shareholder. The Commercial Code of Japan does not require any other statement in the demand. If the value of such shares is agreed upon between the opposing shareholder of UFJ Holdings and UFJ Holdings, then UFJ Holdings is required to make payment to such shareholder of the agreed value within 90 days from the date of such resolution. If the shareholder and UFJ Holdings do not agree on the value of such shares within 60 days from 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 the Osaka District Court for a determination of the value of his or her shares. UFJ Holdings is also required to make payment of statutory interest on such share value as determined by the court after the expiration of the 90-day period referred to in the second preceding sentence. The payment of the price of shares shall be made in exchange for the share certificates, the transfer of shares becoming effective upon the payment of the price.

Shareholders of MTFG have equivalent rights to vote against approval of the terms of the merger agreement and demand the purchase of their shares of MTFG stock by MTFG. To exercise such rights, a holder of MTFG stock must comply with the same procedures applicable to a holder of UFJ Holdings stock described in the two preceding paragraphs, except that the petition for a determination of the share value should be filed with the Tokyo District Court.

Opposition rights in the context of a merger between two Japanese companies are set forth in Articles 408-3 and 245-2 through 245-4 of the Commercial Code of Japan. An English translation of these articles is included in this prospectus as Annex C.

Table of Contents

Status under the U.S. Federal Securities Laws of Shares Received in the Merger

The exchange of shares of MTFG common stock for shares of UFJ Holdings held by U.S. shareholders in connection with the merger has been registered under the U.S. Securities Act. Accordingly, there will be no restrictions under the U.S. Securities Act upon the resale or transfer of such shares by U.S. shareholders of UFJ Holdings except for those shareholders, if any, who are deemed to be affiliates of UFJ Holdings, as such term is used in Rule 144 and Rule 145 under the U.S. Securities Act. Persons who may be deemed to be affiliates of UFJ Holdings generally include individuals who, or entities that, directly or indirectly control, or are controlled by or are under common control with, UFJ Holdings. With respect to those shareholders who may be deemed to be affiliates of UFJ Holdings, Rule 144 and Rule 145 place certain restrictions on the offer and sale within the United States or to U.S. persons of shares of MTFG common stock that may be received by them pursuant to the merger. This prospectus does not cover resales of shares of MTFG common stock received by any person who may be deemed to be an affiliate of UFJ Holdings.

Accounting Treatment

The merger will be accounted for by MTFG under the purchase method of accounting in accordance with U.S. GAAP.

Differences in Shareholders Rights

Both MTFG and UFJ Holdings are joint stock companies organized under the laws of Japan and listed on the First Section of the Tokyo Stock Exchange and regional stock exchanges in Japan. In addition, the description of the attributes of shares of common stock in the share capital provisions of the articles of incorporation of MTFG and UFJ Holdings are substantially similar. As a result, there are no material legal differences in the legal rights of holders of MTFG common stock and of UFJ Holdings common stock.

Tax Consequences of the Merger

Japanese Tax Consequences

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 or loss 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. Please see Taxation Japanese Taxation for a more detailed description of Japanese taxation matters. Each non-Japanese holder should, however, obtain advice from its own tax advisers regarding its tax status in each jurisdiction.

United States Tax Consequences

The merger may qualify as a tax-free reorganization for U.S. federal income tax purposes; however, this determination cannot be made until after the closing date of the merger. Therefore, it is possible that U.S. holders will recognize income or gain for U.S. tax purposes upon the exchange of their UFJ shares for MTFG shares or ADSs. Please see Taxation U.S. Federal Income Tax Considerations for a more detailed description of U.S. taxation matters.

Table of Contents

RELATED TRANSACTIONS

Mitsubishi Tokyo Financial Group s Acquisition of Preferred Shares Issued by UFJ Bank

Overview

On September 17, 2004, MTFG purchased 3.5 billion Series 1 class E preferred shares of UFJ Bank for ¥700 billion. The class E preferred shares issued by UFJ Bank are non-voting shares but are entitled to approval rights in respect of certain material matters concerning UFJ Bank and are also convertible into voting class F preferred shares of UFJ Bank, subject to certain conditions set forth in the basic recapitalization agreement entered into in connection with the capital injection among MTFG, UFJ Holdings and UFJ Bank on September 10, 2004. The basic recapitalization agreement sets forth the conditions for converting the class E preferred shares, as well as MTFG s put option and UFJ Holdings call option with respect to those shares, as summarized below:

- If the merger is not approved at any of the class shareholders meetings of UFJ Holdings, MTFG may convert all of its non-voting class E preferred shares to voting class F preferred shares.
- If the merger is not approved at two consecutive meetings of any of the class shareholders meetings of UFJ Holdings, MTFG may sell its class E preferred shares to UFJ Holdings at a price equal to the acquisition price.

Even if the merger is not approved at the class shareholders meetings as described above, MTFG may not convert or sell its class E preferred shares as stated above if the merger is also not approved at the general shareholders meeting of UFJ Holdings. Instead, MTFG may sell its class E preferred shares to UFJ Holdings at a price equal to 130% of its acquisition price if the merger is not approved at the June 2005 general shareholders meeting of UFJ Holdings and

- a proposal of a business integration between MTFG and UFJ Holdings is not approved at a general shareholders meeting of UFJ Holdings to be held after October 1, 2005, or
- a proposal of a business integration between UFJ Holdings and a third party is approved at a general and class shareholders meeting of UFJ Holdings to be held after October 1, 2005.

In the above two cases, UFJ Holdings may also buy back the class E preferred shares from MTFG at a price equal to 130% of the acquisition price.

General Description of Class E Preferred Shares Issued by UFJ Bank

Approval of certain material matters with respect to UFJ Bank, including any amendment of UFJ Bank s articles of incorporation, any statutory merger or other reorganizations, the disposition or acquisition of any assets the value of which is 5% or more of UFJ Bank s net assets based on its latest balance sheet, any issuance of shares (except upon conversion of preferred shares), stock acquisition rights (*shinkabu yoyaku ken*) or bonds with stock acquisition rights (*shinkabu yoyaku ken tsuki shasai*) and any appointment or removal of directors, would require the approval of class E preferred shareholders in addition to any other shareholder or board of directors resolutions required by UFJ Bank s articles of incorporation and/or applicable law.

Holders of UFJ Bank s class F preferred shares issuable upon conversion of the class E preferred shares would have voting rights at a general meeting of shareholders of UFJ Bank. Approval of certain material matters with respect to UFJ Bank, including any amendment of UFJ Bank s articles of incorporation, any statutory merger or other reorganization, the disposition or acquisition of any assets the value of which is 5% or more of UFJ Bank s net assets based on its latest balance sheet, any issuance of shares (except upon conversion of preferred shares), stock acquisition rights or bonds with stock acquisition rights and any appointment or removal of directors, would also require the approval of class F preferred shareholders in addition to any other shareholder or board of directors resolutions required by UFJ Bank s articles of incorporation and/or applicable law.

Table of Contents

The basic recapitalization agreement sets forth, among other things, the following:

Restrictions on MTFG s right to convert the non-voting class E preferred shares it holds into voting preferred shares. MTFG may not convert the non-voting class E preferred shares into voting class F preferred shares unless:

- any person other than MTFG or UFJ Holdings (except for such person or company as agreed upon by MTFG and UFJ Holdings in advance) becomes a shareholder of UFJ Bank;
- any statutory merger, stock-for-stock exchange (*kabushiki kokan*), stock-for-stock transfer (*kabushiki iten*), corporate split (*kaisha bunkatsu*) or transfer of business (*eigyo joto*) between UFJ Holdings and any company other than MTFG is approved either by UFJ Holdings board of directors or at its general meeting of shareholders;
- any issuance of any new shares of any class, stock acquisition rights or bonds with stock acquisition rights by UFJ Holdings is approved by UFJ Holdings board of directors;
- (i) any person or company comes to own more than one-third of UFJ Holdings equity securities including shares, stock acquisition rights or bonds with stock acquisition rights; or (ii) a tender offer for UFJ Holdings equity securities commences and it is confirmed by public notice or public announcement under Paragraph 1 of Article 27-13 of the Securities and Exchange Law that a number of UFJ Holdings equity securities has been tendered such that the offeror and its specially related persons will come to own more than 20% of UFJ Holdings equity securities as a result of such tender offer; or
- the proposal for the statutory merger or any other integration between MTFG and UFJ Holdings is not approved at any meeting of the holders of any class of UFJ Holdings shares (except in the event that such proposal is also not approved at a general meeting of shareholders of UFJ Holdings).

If any of the above triggering events occurs, MTFG may convert all (but not a part) of the class E preferred shares it holds in accordance with the provisions of Article 222-5 of the Commercial Code upon notice to UFJ Bank of a reasonably detailed description of the event. The conversion of all of the Series 1 class E preferred shares to the class F preferred shares is to take effect in accordance with the provisions of Article 222-6 of the Commercial Code.

Restrictions on the ability to transfer shares of UFJ Bank. Neither MTFG nor UFJ Holdings may, without the other party s prior consent, transfer, incur a lien on or otherwise dispose of any shares of UFJ Bank it holds to or in favor of any third party.

MTFG s put option and UFJ Holdings call option relating to the preferred shares. If any of the following events occurs, MTFG will have the right to sell all of the class E preferred shares or class F preferred shares of UFJ Bank it holds to UFJ Holdings or any third party designated by UFJ Holdings and, if the fourth event listed below occurs, UFJ Holdings will have the right to purchase, or to cause any person designated by UFJ Holdings to purchase, all of the preferred shares of UFJ Bank held by MTFG:

- at a price equal to 130% of MTFG s acquisition price for the preferred shares if UFJ Holdings breaches any of its representations and warranties (except for those relating to certain criminal charges set forth in the basic agreement of recapitalization), covenants or any other obligations under the basic agreement of recapitalization in any material respect;

- at a price equal to MTFG s acquisition price for the preferred shares plus the accumulated outstanding amount of preferred dividends if:
  - any person or company comes to own more than one-third of UFJ Holdings equity securities; or
  - a tender offer for UFJ Holdings equity securities commences and it is confirmed by public notice or public announcement under Paragraph 1 of Article 27-13 of the Securities and Exchange Law that a number of UFJ Holdings equity securities has been tendered such that the offeror and its specially related persons will come to own more than one-third of UFJ Holdings equity securities as a result of such tender offer;

112

Table of Contents

- at a price equal to MTFG s acquisition price for the preferred shares plus the accumulated outstanding amount of preferred dividends if the proposal for the statutory merger or any other integration of MTFG and UFJ Holdings is not approved at two consecutive meetings of the holders of any class of UFJ Holdings shares (except in the event that such proposal is also not approved at a general meeting of shareholders of UFJ Holdings); or

- at a price equal to 130% of MTFG s acquisition price for the preferred shares if the proposal submitted by the board of directors of UFJ Holdings in connection with the business integration between MTFG and UFJ Holdings is not approved at the general meeting of shareholders of UFJ Holdings to be held with respect to the fiscal year ended March 31, 2005, and either

  - the proposal submitted by UFJ Holdings is not approved at a general meeting of shareholders of UFJ Holdings to be held on or after October 1, 2005, or

  - the proposal submitted by any person other than the board of directors of UFJ Holdings in connection with a business integration between UFJ Holdings and any company other than MTFG is approved at a general meeting of shareholders of UFJ Holdings to be held on or after October 1, 2005 and meetings of holders of any class or classes of shares of UFJ Holdings whose approval is required under the Commercial Code.

In the above two cases, UFJ Holdings will have the right to purchase, or to cause any person designated by UFJ Holdings to purchase, all of the preferred shares of UFJ Bank held by MTFG at a price equal to 130% of MTFG s acquisition price for the preferred shares.

For the above purposes, the accumulated outstanding amount of preferred dividends means (i) in connection with the fiscal year to which the dividend payment date for Series 1 class E preferred shares belongs and any subsequent fiscal year, the aggregate amount of the balance by which the dividends actually paid on the preferred shares of UFJ Bank held by MTFG fall short of the preferred dividends payable on the preferred shares of UFJ Bank held by MTFG in each relevant fiscal year, plus (ii) the preferred dividends payable on the preferred shares of UFJ Bank held by MTFG in the fiscal year in which the sale or purchase of the preferred shares of UFJ Bank held by MTFG takes place, calculated on the basis of a 365-day year for the actual number of days elapsed from the first day of the relevant fiscal year to the date of the sale or purchase of the preferred shares of UFJ Bank held by MTFG.

113

Table of Contents

BUSINESS

Business Strategy of Mitsubishi UFJ Financial Group

MTFG and UFJ Holdings aim, through the merger, to create a leading comprehensive financial group that is competitive on a global basis and provides a broad range of financial products and services to a worldwide client base with increasingly diverse and sophisticated needs. MTFG and UFJ Holdings believe the total market value of the combined entity (approximately ¥10 trillion as of December 31, 2004) will be the largest among Japanese financial institutions and that the combined entity will be the largest bank in the world when measured by assets. The combined entity will aim, through operations, synergies and its growth strategy, to become one of the top five global financial institutions in terms of market value by the end of fiscal year 2008.

MTFG and UFJ Holdings believe the two groups are complementary both in terms of business operations and branch networks and that a more customer-focused management philosophy will enhance the combined entity s corporate value. By leveraging the respective strengths of each group, and by further pursuing efficiencies, the combined entity will aim to improve the standard of its products and services and seek to provide significant benefits expected from the merger to customers and shareholders.

Integration Structure

MTFG and UFJ Holdings will aim to integrate their operations in the following manner:

- *Holding companies*. Mitsubishi Tokyo Financial Group, Inc. and UFJ Holdings, Inc. will merge, with MTFG as the surviving company. MTFG will be renamed Mitsubishi UFJ Financial Group, Inc. with the abbreviation MUFG .

- *Banks*. Bank of Tokyo-Mitsubishi and UFJ Bank will merge, and the surviving entity, Bank of Tokyo-Mitsubishi, will be a wholly-owned subsidiary of the new holding company. Bank of Tokyo-Mitsubishi will be renamed The Bank of Tokyo-Mitsubishi UFJ, Ltd.

- *Trust banks*. Mitsubishi Trust Bank and UFJ Trust Bank will merge, and the surviving entity, Mitsubishi Trust Bank, will be a wholly-owned subsidiary of the new holding company. Mitsubishi Trust Bank will be renamed Mitsubishi UFJ Trust and Banking Corporation .

- *Securities companies*. Mitsubishi Securities and UFJ Tsubasa Securities will merge, and the surviving entity, Mitsubishi Securities, will become a majority-owned, direct subsidiary of the new holding company. Mitsubishi Securities will be renamed Mitsubishi UFJ Securities, Co., Ltd.

Competitive Strengths of the Combined Entity

Japan s Preeminent Global Banking Network. The combined entity will serve diverse financial needs worldwide using its extensive domestic network, as well as a global network that will cover over 40 countries and be staffed by experienced personnel familiar with local business customs. The combined entity s domestic corporate and retail clients will have access to a wide range of products and services, including some of those offered by UnionBank of California.

Strong Business Foundation Based on Retail Deposits and Diverse Customer Base. The significant level of retail deposits (estimated at ¥66 trillion) that the combined entity is expected to hold after the integration has the potential to be a source of improved earnings in the retail segment. The combined entity s diverse customer base, including an estimated 40 million retail customers and 280,000 corporate customers, will also be an important element in facilitating expansion of the trust and investment banking services in the corporate banking business. By providing a wide range of financial products and services to its diverse customer base, the combined entity will seek to significantly enhance its profitability and competitiveness.

Strong Financial Foundation. In comparison to other major Japanese financial groups, the equity capital of the combined entity is expected to be less dependent on public funds and deferred tax assets. The combined entity plans to repay public funds as rapidly as is prudent and aims to implement its growth strategy under a more focused management. MTFG has been a leader among Japanese financial groups in achieving large-scale reductions of non-performing loans. The combined entity will continue these efforts to achieve financial soundness. The strong financial foundation of the combined entity will not only enable the group to assume larger risk positions but also allow management resources to be fully devoted to business initiatives.

Highly Complementary Businesses and Networks. MTFG and UFJ Holdings believe that the combined entity will be well positioned to realize integration synergies and to strengthen its customer base and business foundation in a well-balanced manner due to the highly complementary nature of MTFG s and the UFJ group s businesses and branch networks. For example, while MTFG s customer base consists primarily of large corporations, the UFJ group s primary customer base consists of individual customers and small- and medium-sized companies. The branch network of the two groups is also complementary, as MTFG has a large number of branches in the Tokyo metropolitan area, while the UFJ group s branch network is more concentrated in the Nagoya and Osaka metropolitan areas. These factors will also help reduce the impact of the planned consolidation of overlapping outlets on the existing customer base and operations. The combined entity will seek to enhance customer convenience through the balanced development of branch networks primarily in the Tokyo, Nagoya and Osaka metropolitan areas. MTFG and the UFJ group believe that the combined entity will be able to provide a wider range of customer services due to the complimentary nature of the companies comprising the new bank group created through the integration.

Strong Corporate Governance and Transparency. As the only Japanese bank holding company listed on the NYSE, MTFG has been subject to the U.S. Sarbanes-Oxley Act and has been preparing to meet the requirements in respect of internal control financial reporting that are mandated for all SEC reporting companies. The combined entity will aim to continue implementing a strong corporate governance system and to conduct transparent management at a level expected of a leading global financial institution. The combined entity will also seek to implement appropriate corporate social responsibility policies to support sustainable growth.

Specific Initiatives

In order for the combined entity to develop into an integrated, comprehensive financial group, it must expand its profitability and adopt a more customer-focused philosophy. The combined entity has established the following five strategies to facilitate the achievement of its strategic goals.

- *Timely and thorough responses to customer needs*. Utilizing enhanced resources created by the merger, the combined entity will aim to respond to the increasingly diverse financial needs of retail and corporate clients by tailoring its products and services based on customer segments and regional characteristics.

- *Continuously deliver innovative value-added products and services*. The combined entity will seek to strengthen its research and development capabilities and enhance marketing through its increased ability to make systems-related investments and by marshaling its human resources. Moreover, by actively utilizing and implementing the latest information technology and financing structures, the combined entity will strive to continuously develop innovative products and services.

- *Establish an extensive branch/ATM network and direct channels to better meet customer needs*. Along with maintaining and improving the extensive domestic and global branch network that will result from the integration, the combined entity will also undertake to open new types of branches in response to customer needs. The combined entity will consider opening new outlets to serve large corporate customers as well as small- and medium-sized enterprises. In addition, by enhancing the functionality of its ATMs and direct channels, the combined entity will seek to build a highly convenient direct-access service network. The combined entity will also seek to develop more than 100 plaza outlets to integrate banking, trust asset services and securities in a one-stop shop format.

115

- *Enhance the quality of financial products and services in a continuous and sustainable manner.* As a leading financial institution, the combined entity will seek to supplement existing, successful products and services by continuously reviewing and improving the quality of its financial products and services offerings from a customer perspective.

- *Manage operations to gain customer trust, and implement corporate social responsibility policies that fulfill the role of a leading corporate citizen.* To earn the trust of its customers, the combined entity will strive to strengthen corporate governance practices, implement effective compliance and risk management systems and enhance internal controls. In addition, the combined entity will actively strive to meet its corporate social responsibilities in accordance with its role as a leading corporate citizen.

Through these initiatives, the combined entity intends to strengthen its three core business lines retail, corporate and trust assets.

- *Retail.* In the retail area, the combined entity will seek to expand investment product offerings and services through strategic alliances with Manulife, AIG, AXA, Millea and others, and increasing the staff responsible for customers. It will seek to expand housing loans and its consumer finance business. The combined entity will also seek to capitalize on plaza outlets and the combined entity s trust agency system to meet the needs of customers (particularly high-net-worth individuals) for trust services.

- *Corporate.* In the corporate area, the combined entity will seek to increase loans to small- and medium-sized businesses and expand the branch network catering to business customers. It will also seek to increase its share of bank services by providing customized services for large businesses, increasing points of contact with small- and medium-sized businesses and using online call centers. It will also seek to grow its domestic settlement business and foreign currency business. It will seek to strengthen its practice in derivatives, syndicated loans, asset financing and structured finance as well as its market solicitation business and securities brokerage business. Additionally, the combined entity will provide support for the expected expansion of Japanese businesses into Asian markets.

- *Trust Business.* The combined entity will seek to expand its product offerings, as well as its investment management services and specified money trusts. It will also seek to integrate production and sales functions and expand services that target regional banks and enhance its retail channels. The combined entity also expects to strengthen its processing function and cement its position as providing the industry standard for stock investment trust activities.

Structure of Combined Entity s Operations

In order to implement a customer-focused management philosophy and provide tangible benefits to customers, the combined entity will seek to introduce an integrated business group system to revise its group-wide operational framework, while also taking steps to enhance its ability to serve a wider range of customer needs.

Implementation of integrated business group system. The combined entity will introduce an integrated business group system to provide timely and customized products and services to meet the financial needs of individual and corporate clients, formulate a unified strategy for each customer segment and expand operations on a group-wide basis through close cooperation between group banks and companies. Three integrated business group headquarters will be established at the new holding company for the retail, corporate and trust assets businesses.

Adaptation of community-based business operations. The combined entity will also strive to promote community-based operations and respond effectively to regional customer needs by assigning corporate officers to the retail and corporate business groups of commercial banks in eastern, central and western Japan. The combined entity will also develop service and credit-supervisory capabilities in each region as part of its efforts to provide financial services that properly recognize and account for local characteristics.

Enhancing Integration and Management Efficiency

Based on a review of its domestic and overseas branch office network, employees, operations and systems, the combined entity will seek to reduce costs and increase efficiency through the merger in the areas listed

116

Table of Contents

below. The combined entity will seek to realize annual cost savings of approximately ¥240 billion by the fiscal year ending March 31, 2009 under Japanese GAAP. The combined entity expects to record integration related costs of ¥620 billion, which will be incurred over the five-year period through the fiscal year ending March 31, 2010. The plan will continue to be refined toward the completion of the business combination, and the estimated amount of integration costs and when these costs are incurred will be significantly affected by such continuing refinement of the integration plan.

Integrate Head Office and Streamline Organizational Structure. The combined entity will seek to integrate and streamline head office functions and focus its management resources on achieving efficiency at the operational level. In addition, it will streamline its organizational structure and clearly delineate management roles, responsibilities and reporting lines to enable effective and timely decision-making.

Increase Branch Network Convenience and Efficiency. The combined entity will seek to enhance the efficiency of its branch network by consolidating overlapping outlets, while ensuring that customer convenience and service levels are not compromised. In particular, the combined entity will focus on the consolidation of outlets in the Tokyo metropolitan area, where there are more overlapping outlets. Overseas, the combined entity will seek to enhance overall efficiency by consolidating overlapping outlets while strengthening its network to enhance customer services. The combined entity will also aim to utilize its service channels more effectively; for example, the combined entity will establish joint outlets to minimize costs while providing one-stop shopping for banking, trust banking, securities and other financial services. It expects to consolidate approximately 170 retail branches and 100 corporate offices, as well as approximately 30 overseas offices, by the end of the fiscal year ending March 31, 2009.

Relocate Staff Efficiently. The combined entity expects to scale back and redeploy its workforce, mainly through the streamlining of back-office operations. In terms of the redeployment of staff and resources, the combined entity plans to focus on strategic areas such as retail, small business, investment banking and asset management services. In total, it expects to reduce staff by approximately 6,000 employees and to reassign approximately 4,000 employees to strategic business areas and marketing operations by the end of the fiscal year ending March 31, 2009.

Integrate Operations and Systems. The combined entity will adopt a uniform standard for operations and systems while prioritizing improvements in function, quality and reliability, and will aim to reduce the group s overall infrastructure costs. On the date of the merger, the systems for Bank of Tokyo-Mitsubishi and UFJ Bank will be separately maintained under a system that enables basic services such as cash deposits, withdrawals and remittances to be provided at the branch offices of both banks. The combined entity expects to integrate systems for its treasury and overseas activities by October 1, 2005, and to integrate its domestic settlement and information systems by the end of the fiscal year ending March 31, 2008.

System integration costs have been estimated at approximately ¥330 billion, of which approximately ¥110 billion, ¥80 billion and ¥70 billion will be incurred in fiscal years ending March 31, 2006, 2007 and 2008, respectively. Costs related to the branch network have been estimated to be approximately ¥110 billion, a major part of which will be incurred in the fiscal years ending March 31, 2006 and 2007. Other integration costs, including those related to the integration of head office functions, redeployment of staff, advertising and signage, taxes and miscellaneous expenses, have been estimated at approximately ¥180 billion, of which approximately ¥70 billion will be incurred in the fiscal year ending March 31, 2006 and approximately ¥30 billion in each of the fiscal years ending March 31, 2007 and 2008.

See Risk Factors Risks Relating to the Merger Estimates of targeted cost savings and other synergies in connection with the merger are inherently uncertain, and the combined entity may fail to achieve these targeted cost savings and other synergies.

117

Table of Contents

Structure of Combined Entity s Corporate Governance

The combined entity will strive to establish a more stable and effective corporate governance system by increasing the number of outside directors and corporate auditors and introducing a voluntary committee system. The combined entity will seek to enhance management transparency and shareholder accountability through a management structure that incorporates the viewpoints of outside directors, corporate auditors and experts in the following ways.

- A majority (three auditors) of the combined entity s board of corporate auditors will be comprised of outside corporate auditors.
- Four outside directors will be appointed, ensuring that at least 30% of the board will be comprised of outside members. Outside directors will have an enhanced role in the combined entity s management, serving as the chairs of various internal committees comprised mainly of outside members, as discussed below.
- The combined entity will also establish an advisory board of outside experts to advise on important management issues, including business strategies and financial plans.

As part of this 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. For additional information on the members of these committees, see Management.

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.

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.

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.

The combined entity will also aim to strengthen its group-wide corporate governance structure by implementing group-wide risk management and internal audit systems, promoting coordination among group companies internal audit units and appointing its senior management to positions at major subsidiaries.

An internal audit and compliance committee, chaired by an outside director and a majority of which will be comprised of outside members, will also be established for each of the combined entity s bank, trust bank and securities company subsidiaries as part of efforts to enhance management transparency throughout the new group.

Mitsubishi Tokyo Financial Group

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

Table of Contents

MTFG is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Commercial Code of Japan. On April 2, 2001, Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank established MTFG to be a holding company for the three of them. Before that, each of the banks had been a publicly held company. On April 2, 2001, through a stock-for-stock exchange, they became wholly-owned subsidiaries of MTFG, and the former shareholders of the three banks became shareholders of MTFG. Nippon Trust Bank was later merged into Mitsubishi Trust Bank. As a result, MTFG now has two directly held banking subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, although each of these two banks also has other subsidiaries of its own.

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

- establish a more diversified financial services group operating across business sectors;
- leverage the flexibility afforded by MTFG s organizational structure to expand its business;
- benefit from the collective expertise of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank;
- achieve operational efficiencies and economies of scale; and
- enhance the sophistication and comprehensiveness of the group s risk management expertise.

In order to further enhance its operations and increase profits, in April 2004 MTFG introduced an integrated business group system comprising three core business areas: Retail, Corporate, and Trust Assets (Asset Management and Administration). These three businesses serve as the group s core sources of net operating profit. In addition, the role of MTFG as the holding company has expanded from strategic coordination to integrated strategic management. Group-wide strategies are determined by the holding company and executed by the subsidiary banks and other subsidiaries.

Under the integrated business group system, each business unit of MTFG cooperates with the various business units and groups of Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Mitsubishi Securities. For example,

- Mitsubishi Securities collaborates with the retail banking business unit to develop and offer products and services for MTFG s retail clients as part of MTFG s Integrated Retail Banking Business Group.
- The commercial banking business unit, the global corporate banking business unit, the investment banking and asset management business unit and Mitsubishi Securities work together to develop and provide products and services for MTFG s corporate clients as part of MTFG s Integrated Corporate Banking Business Group.
- Bank of Tokyo-Mitsubishi s IT solution business, which is part of the eBusiness and IT initiatives business unit, offers services as part of MTFG s Integrated Corporate Banking Business Group.

- Bank of Tokyo-Mitsubishi s asset management services and global custody services, which is part of the investment banking and asset management business unit, collaborates with business groups of Mitsubishi Trust Bank to offer services and products as part of MTFG s Integrated Trust Assets Business Group.

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

- The corporate finance products and services provided by Mitsubishi Trust Bank s trust banking business group, the real estate services provided to corporate clients by Mitsubishi Trust Bank s real estate

119

Table of Contents

business group and the services provided by Mitsubishi Trust Bank s stock transfer agency business group are provided as part of MTFG s Integrated Corporate Banking Business Group.

- The trust assets management services and the asset administration and custodial services provided by Mitsubishi Trust Bank s trust assets business group are provided as part of MTFG s Integrated Trust Assets Business Group.

The UNBC business unit, the operations services unit, the treasury unit, the system services unit, the eBusiness & IT initiatives unit with the exception of IT solution business, and the corporate center are not part of MTFG s integrated business group system. With the exception of treasury-related services, services in the global markets business group are provided as part of MTFG s integrated corporate banking business group.

Under this integrated business group 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 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. As part of MTFG s efforts to increase group synergies and customer convenience, it also seeks to create and develop new services and distribution channels.

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

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

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

Bank of Tokyo-Mitsubishi

Bank of Tokyo-Mitsubishi is a major Japanese commercial banking organization. It provides a broad range of domestic and international banking services in Japan and around the world. As of March 31, 2005, Bank of Tokyo-Mitsubishi s network in Japan included 250 branches, 28 sub-branches, 64 loan plazas, 484 branch ATMs

Table of Contents

and 18,686 convenience store-based, non-exclusive ATMs. Bank of Tokyo-Mitsubishi organizes its operations based on customer and product segmentation, as follows:

- retail banking;
- commercial banking;
- global corporate banking;
- investment banking and asset management, and Mitsubishi Securities;
- UNBC;
- operations services;
- treasury; and
- other, including systems services and eBusiness & IT initiatives.

Retail Banking Business Unit

The retail banking business unit of Bank of Tokyo-Mitsubishi offers a full range of banking products and services, including financial consulting services to individual customers in Japan. In addition to its branch offices, the retail banking business unit offers products and services through other direct distribution channels such as ATMs (including a convenience store-based ATM network utilized by a number of different banks), telephone and Internet banking services and mail order. Some of Bank of Tokyo-Mitsubishi s branches are joint branches with either Mitsubishi Trust Bank or Mitsubishi Securities, or both. As of March 31, 2005, eight of these joint branches have been converted into MTFG Plaza branches that provide a variety of financial products and services targeted toward individual investors.

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

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

Investment trusts. The unit offers 31 equity and bond funds and a program fund, the M-CUBE program, which is exclusively organized for Bank of Tokyo-Mitsubishi by Frank Russell Company and combines six specific funds. MTFG offers a menu of funds that allows customers to achieve their desired balance of risk diversification and return.

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

Tokyo-Mitsubishi Direct. The unit offers a telephone and Internet banking service called Tokyo-Mitsubishi Direct. Since the service was launched in 1999, the number of customers has risen steadily, reaching 2.6 million individual customers at the end of March 2005, which is approximately 18% of the unit s total customer base.

Credit cards. The unit offers MasterCard and VISA credit cards through several channels. Through Bank of Tokyo-Mitsubishi, it offers the Tokyo-Mitsubishi Card. It also offers credit cards through Bank of Tokyo-Mitsubishi s subsidiaries, DC Card Co., Ltd. and Tokyo Credit Service, Ltd. In October 2004, Bank of Tokyo Mitsubishi launched a new comprehensive card service that adds credit card and electronic money functions to its bank cash card. The new service also enhances security through a biometric verification system.

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

Commercial Banking Business Unit

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

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

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

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

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

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

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

Global Corporate Banking Business Unit

The global corporate banking business unit of Bank of Tokyo-Mitsubishi provides banking services to large Japanese corporations and their overseas operations as well as to non-Japanese corporations who do business on a global basis. The unit serves customers through corporate banking divisions in Tokyo, a global network of 57 overseas branches and sub-branches, 16 representative offices and overseas banking subsidiaries.

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

Table of Contents

The unit also provides advisory services to help customers develop financial strategies, such as arranging the issuance of asset-backed commercial paper, providing credit commitments and securitizing real estate in Japan. Together with the investment banking and asset management business unit, the unit also developed its investment banking business to increase MTFG s non-interest income.

Global Cash Management Service. Bank of Tokyo-Mitsubishi started offering Global Cash Management Service, or GCMS, through MTFG s foreign branches. This service allows customers to monitor their foreign accounts and make remittances through their personal computers and Bank of Tokyo-Mitsubishi has introduced several enhancements such as Internet-based access and Chinese-language capability. This service is now available through 24 foreign branches and the total number of GCMS corporate customers was over 2,804 as of March 31, 2005.

Investment Banking and Asset Management Business Unit and Mitsubishi Securities

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

Investment Banking

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

Capital Markets. The unit provides arrangement services relating to private placements for mainly medium-sized enterprise issuers and institutional investors. During the fiscal year ended March 31, 2005, MTFG arranged 2,441 issuances totaling ¥336.1 billion.

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

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

Syndicated loans. The unit structures and syndicates many types of loan transactions, including term loans, revolving credit and structured transactions. It has loan syndication operations in Tokyo, New York, London, Hong Kong and Singapore. MTFG arranged syndicated loans with an aggregate principal amount totaling $62.0 billion in the year ended December 31, 2004.

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

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

Asset Management

The unit provides asset management and trust products and services mainly to high net worth individuals, branch customers and corporate clients in Japan. Generally, these products and services are delivered to customers of Bank of Tokyo-Mitsubishi through the retail banking business unit and the commercial banking business unit, and are provided by Mitsubishi Asset Management Co., Ltd. and Mitsubishi Trust Bank. Mitsubishi Asset Management Co., Ltd. was formed on October 1, 2004 through a merger between Tokyo-Mitsubishi Asset Management Ltd. and Mitsubishi Trust Asset Management Co., Ltd. Mitsubishi Asset Management aims to become a leader in Japan s publicly offered investment trust industry by leveraging its high-quality, sophisticated products and services with MTFG s broad customer base.

Asset management. Mitsubishi Asset Management, a licensed investment trust management company and discretionary investment advisor, provides investment trust-related products and services. It also offers a wide array of other investment products which, as of March 31, 2005, are marketed by almost 70 Japanese financial institutions, including the Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and regional banks, mainly to individual customers.

Mitsubishi Asset Management has continued to expand its investment product line. In the first half of the fiscal year ended March 31, 2005, it launched an SRI (Socially Responsible Investment) fund that mainly invests in Japanese companies that have a reputation for being employee-friendly.

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

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

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

Mitsubishi Securities

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

In September 2002, MTFG merged Bank of Tokyo-Mitsubishi s securities subsidiaries and affiliate, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd. and Tokyo-Mitsubishi Personal Securities Co., Ltd., and Mitsubishi Trust Bank s securities affiliate, Issei Securities Co., Ltd., to create Mitsubishi Securities. As of September 30, 2004, MTFG indirectly owned 58.33% of Mitsubishi Securities through Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. On February 18, 2005, MTFG announced that it would make Mitsubishi Securities a directly-held subsidiary on July 1, 2005 by acquiring all of the shares of Mitsubishi Securities common stock held by Bank of

Tokyo-Mitsubishi and Mitsubishi Trust Bank, subject to the approval of the relevant regulators. As a result of the transaction, MTFG would directly hold Mitsubishi Securities common stock representing 56.9% of the outstanding voting rights. Mitsubishi Securities functions as the core of MTFG s securities and investment banking business. MTFG has consolidated most of its securities business and various areas of its investment banking business, such as mergers and acquisitions, derivatives, corporate

124

advisory and securitization operations that were previously conducted through Bank of Tokyo-Mitsubishi s investment banking unit, into Mitsubishi Securities. In the fiscal year ended March 31, 2003, MTFG started to account for Mitsubishi Securities as a separate segment for financial management purposes.

In addition to its own branch network, Mitsubishi Securities caters to the needs of individual investors in cooperation with Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank through joint branches and MTFG Plazas. As of March 31, 2005, Mitsubishi Securities had 67 offices, 33 of which had been converted to joint branches with Bank of Tokyo-Mitsubishi or Mitsubishi Trust Bank.

In the fixed income securities business, Mitsubishi Securities offers customers a wide range of investment products. Mitsubishi Securities provides in-depth company and strategy reports through its in-house research functions and its equity sales staff provides services to a wide range of domestic and overseas clients ranging from individual investors to institutional investors. Through its derivative products, Mitsubishi Securities provides various solutions to meet customers risk management needs. Other services offered by Mitsubishi Securities include bond underwriting, equity underwriting, securitization of assets, initial public offerings, mergers and acquisitions, and support for investor relations activities. To reinforce its global network, Mitsubishi Securities acquired the overseas securities subsidiaries of Bank of Tokyo-Mitsubishi in New York, Hong Kong and Singapore in 2003, and made Tokyo-Mitsubishi International plc (currently Mitsubishi Securities International plc) in London into its subsidiary in July 2004.

UNBC Business Unit

As of March 31, 2005, Bank of Tokyo-Mitsubishi owned 61.0% of UnionBanCal Corporation, a publicly traded company listed on the NYSE. UnionBanCal is a U.S. commercial bank holding company. Union Bank of California, N.A., UnionBanCal s bank subsidiary, is one of the largest commercial banks in California based on total assets and total deposits and is among the oldest banks on the West Coast, having roots as far back as 1864.

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

UNBC s operations are divided into four primary groups.

The Community Banking and Investment Services Group. This group offers its customers a wide spectrum of financial products within its comprehensive lineup. With a broad line of checking and savings, investment, loan and fee-based banking products, individual and business clients, including not-for-profit, small and institutional investors, can each have their specific needs met. As of March 31, 2005, these products are offered in 316 full-service branches, primarily in California, as well as in Oregon and Washington. In addition, the group offers international and settlement services, e-banking through its website, check cashing services at its Cash & Save locations and loan and investment products tailored to its high net worth consumer customers through its private banking business. Institutional customers are offered employee benefit, 401(k) administration, corporate trust, securities lending and custody (global and domestic) services. The group also includes a registered broker-dealer and a registered investment advisor, which provide investment advisory services and manage a proprietary mutual fund family.

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

Table of Contents

companies, retailers, domestic financial institutions, bankruptcy trustees and other customers with significant deposit volumes.

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

The Global Markets Group. This group is responsible for treasury management, which encompasses wholesale funding, liquidity management and interest rate risk management. In collaboration with MTFG s other business groups, this group also offers customers a broad range of financial services products and risk management products.

Operations Services Unit

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

Operations services. The operations division of Bank of Tokyo-Mitsubishi s operations services unit provides operations services for the domestic commercial banking activities of the retail banking, commercial banking and global corporate banking business units. Bank of Tokyo-Mitsubishi has expanded centralized processing at its operations centers, which will increase the efficiency of its branch offices.

The operations division also offers outsourcing services in foreign remittance, export and import operations for Japanese financial institutions. As of March 31, 2005, 71 Japanese banks utilized Bank of Tokyo-Mitsubishi s foreign remittance services offered under its Global Operation Automatic Link (GOAL) service, and a number of Japanese banks outsourced their export and import operations to Bank of Tokyo-Mitsubishi.

Correspondent banking and settlement. The payment and clearing services division of Bank of Tokyo-Mitsubishi s operations services unit maintains financial institutions accounts with correspondent arrangements. As of March 31, 2005, Bank of Tokyo-Mitsubishi had correspondent arrangements with 2,915 foreign banks and other financial institutions, of which 1,599 had yen settlement accounts with Bank of Tokyo-Mitsubishi. Bank of Tokyo-Mitsubishi also had correspondent arrangements with 133 Japanese financial institutions, for which Bank of Tokyo-Mitsubishi held 147 yen and foreign currency accounts.

The Foreign Exchange Yen Clearing System in Japan introduced an entrustment procedure for yen clearing through which banks may entrust other banks to conduct yen clearing for them. Bank of Tokyo-Mitsubishi has the largest share of this business in the market. As of March 31, 2005, 47 regional and foreign banks in Japan outsourced their yen clearing operations to Bank of Tokyo-Mitsubishi. Bank of Tokyo-Mitsubishi handled approximately 28% of these transactions based on transaction amounts and is a market leader in the yen settlement business.

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

Treasury Unit

The treasury unit of Bank of Tokyo-Mitsubishi manages Bank of Tokyo-Mitsubishi s overall funding requirements. The unit is responsible for Bank of Tokyo-Mitsubishi s asset liability management and manages

126

Table of Contents

Bank of Tokyo-Mitsubishi s securities investment portfolio, foreign exchange and derivatives transactions, including proprietary trading. It works with other business units to provide various financial products such as foreign currency forward, currency options and commercial paper.

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

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

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

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

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

Other Business Units

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

- system services, which is responsible for Bank of Tokyo-Mitsubishi s computer systems;
- eBusiness & IT initiatives, which is responsible for developing and overseeing information technology within the Bank of Tokyo-Mitsubishi as well as related business opportunities; and
- the corporate center, which retains functions such as strategic planning, overall risk management, internal auditing and compliance within Bank of Tokyo-Mitsubishi.

Mitsubishi Trust Bank

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

- trust-banking business;
- trust assets business;
- real estate business;
- stock transfer agency business; and
- global markets business.

As of March 31, 2005, Mitsubishi Trust Bank had a network of 44 branches and five sub-branches in Japan.

Trust-Banking Business Group

The trust-banking business group of Mitsubishi Trust Bank provides retail banking and trust services, as well as corporate financing services. The trust-banking business group provides a full range of trust and commercial banking products and various financial services to individuals, corporations, institutional investors and public organizations. Mitsubishi Trust Bank offers some of its products and services through its trust agency arrangements with various banks, including Bank of Tokyo-Mitsubishi.

Table of Contents

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

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

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

Since 1999, Mitsubishi Trust Bank has offered a members-only service called the Excellent Club targeted at customers who have aggregate balances of over ¥10 million per household at Mitsubishi Trust Bank. As of March 31, 2005, the Excellent Club had a membership of over 260,000 households. Members of the Excellent Club have access to, among other things, favorable interest rates and fee discounts, wealth management services and special products such as the Excellent Club time deposits.

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

With respect to securitization services, the group is engaged in the securitization of the Government Housing Loan Corporation s housing loans and the securitization of non-performing loans in cooperation with Japan s Resolution and Collection Corporation. As of March 31, 2005, the outstanding balance of loan credits (including non-performing loans), property, sales credits and other credits that were securitized was over ¥8 trillion.

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

Trust Assets Business Group

The trust assets business group provides fiduciary asset management and administration services. As of March 31, 2005, the balance of corporate pension assets entrusted to Mitsubishi Trust Bank surpassed the level held by all other trust banks in Japan combined.

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

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

Table of Contents

Mitsubishi Trust Asset Management Co., Ltd. merged with Tokyo-Mitsubishi Asset Management to form Mitsubishi Asset Management Co., Ltd. on October 1, 2004. MTFG believes this merger strengthens MTFG s competitiveness in Japan s publicly offered investment trust industry by combining high-quality, sophisticated products and services with MTFG s broad customer base.

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

Asset administration and custodial services. In the asset administration business, the group provides a broad range of administrative and custodial services to corporations, institutional investors and other clients. In May 2002, Mitsubishi Trust Bank transferred to Master Trust Bank of Japan, Ltd. assets under management encompassing securities held by funds including pension trusts, specified money trusts and securities investment trusts. Master Trust Bank of Japan is a trust bank which specializes in asset administration. It was established in May 2000 by Mitsubishi Trust Bank, Nippon Life, UFJ Trust Bank, Meiji Yasuda Life and Deutsche Bank. In October 2002 and November 2003, UFJ Trust Bank transferred its assets under management encompassing securities held by funds, including pension trusts, specified money trusts, and securities investment trusts to Master Trust Bank of Japan, increasing its trust assets to approximately ¥80 trillion as of March 31, 2005.

Real Estate Business Group

In addition to its principal business of real estate brokerage operations, the real estate business group utilizes its significant know-how relating to the securitization of real estate and real estate development, management and appraisal, to meet the diverse real estate-related needs of retail and corporate clients. The group is also focused on providing services that build on the experience and expertise of a trust bank. For example, the group offers advice relating to clients real estate assets in the context of the restructuring of their businesses and financial strategies and their balance sheets, as clients try to respond to changes in the accounting treatment of impairment losses and the increased focus on consolidated financial statements under Japanese GAAP. The group retains the services of a large number of highly qualified experts, including registered architects, registered real estate transaction managers, appraisers and associate appraisers and registered real estate consultants.

Stock Transfer Agency Business Group

In April 2004, Mitsubishi Trust Bank upgraded the status of its stock transfer agency business from part of the trust-banking business group to a newly established stock transfer agency business group. Mitsubishi Trust Bank aims to expand its stock transfer agency business by tapping into a wider client base and working closely with Bank of Tokyo-Mitsubishi. The group offers stock transfer agency services for corporate clients where Mitsubishi Trust Bank acts as an agent, as designated under the Japanese Commercial Code, and handles various administrative procedures such as stock title transfers and the calculation and payment of dividends. The group also offers consultation services relating to investor relations and corporate governance to listed companies and advises companies planning to go public on how to prepare for an initial public offering and other practical procedures involved in the issuance of shares. The group also provides a service that enables companies to send shareholder meeting notices to, and receive proxies from, shareholders via the Internet. As of March 31, 2005, Mitsubishi Trust Bank was serving as the stock transfer agent for 981 companies based in Japan and overseas.

Global Markets Business Group

The global markets business group is active in various financial operations, including banking, money and capital markets operations, securities investments and custody operations and asset management. With the U.S., European and Asian markets as its core foundation, the group s business, through efficient management of its

129

Table of Contents

portfolio of financial products including securities, loan receivables and derivatives, has consistently maintained a high level of profitability and has been one of Mitsubishi Trust Bank s most important businesses.

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

As of September 30, 2004, Mitsubishi Trust Bank maintained a presence in the world s major financial markets through a network of five branches, three representative offices and five major subsidiaries.

Property

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

	At March 31	
	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

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

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

	Area	Book value
	(in thousands of square feet)	(in millions)

Owned land	9,550	¥ 171,379
Leased land	1,220	
Owned buildings.	16,885	180,019
Leased buildings	11,446	

MTFG s owned land and buildings are primarily used by its branches. Most of the buildings and land owned by MTFG are free from material encumbrances, except as described below.

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

During the fiscal year ended March 31, 2004, MTFG invested approximately ¥52.0 billion in its subsidiaries primarily for office renovations and purchases of furniture and equipment.

Legal Proceedings

From time to time, MTFG is involved in various litigation matters. Based on its current knowledge and consultation with legal counsel, MTFG believes the current litigation matters, when ultimately determined, will not have a material adverse effect on its results of operations and financial position.

Table of Contents

UFJ Holdings

UFJ Holdings, established in April 2001, is a financial services holding company in Japan. Its two largest subsidiaries are:

- UFJ Bank Limited, formed in January 2002 by the merger of Sanwa Bank and Tokai Bank, and
- UFJ Trust Bank Limited, previously known as Toyo Trust.

The UFJ group provides a broad spectrum of financial products and services, including retail banking, corporate banking, global banking and trading, trust services, securities underwriting and brokerage services, investment banking services and asset management services. Through alliances, joint ventures and acquisitions facilitated by recent deregulation and by its holding company structure, the UFJ group aims to augment its capabilities to provide insurance products and a broadened range of securities brokerage, underwriting and other financial services to its core Japanese retail and middle corporate markets.

UFJ Holdings coordinates the business development, operations and risk management among two key bank subsidiaries and other subsidiaries and affiliates. In addition, by unifying the coordination and development of strategies for all of the subsidiaries and affiliates, UFJ Holdings identifies and pursues strategic opportunities to complement the current product and service offerings of the UFJ group.

The UFJ group s business operations are structured as follows:

- UFJ Bank, which has the following units:
  - retail banking business,
  - corporate banking business,
  - global banking and trading business, and
  - planning and administration,
- UFJ Trust Bank, and
- other businesses, including securities and asset management.

Recent Regulatory Problems and Financial Difficulties

In recent years, deregulation and structural reforms in the financial services industry have increased competition, and adverse market conditions in many sectors have exacerbated asset quality problems and led to a marked deterioration in the financial condition and capital base of many Japanese financial institutions, including UFJ Holdings. In this environment, UFJ Holdings recorded large net losses under Japanese GAAP for the years ended March 31, 2002, 2003 and 2004. These losses and the continuing restructuring of major borrowers created a risk that UFJ Holdings would be unable to maintain the 8% capital adequacy ratio (calculated in accordance with Japanese banking regulations and based on Japanese GAAP financial statements) required of Japanese banks with international operations as of September 30, 2004 prior to the UFJ group s receipt of a capital injection from MTFG.

In the course of ongoing inspections of the classification of large borrowers by Japanese banks, the Financial Services Agency in 2004 concluded that members of the UFJ group s management had obstructed the Financial Services Agency s inspection into the classification of such borrowers by systematically withholding relevant information on borrowers financial condition and falsely responding to requests for information from inspectors. In June 2004, the Financial Services Agency issued a series of administrative orders which highlighted the need to strengthen the operations and internal controls of UFJ Bank to respond appropriately to the Financial Services Agency s inspections. As part of its response to the administrative orders, UFJ Bank strengthened its internal audit department, including through the establishment of a specific team dedicated to the evaluation of large borrowers.

The top management of UFJ Holdings, UFJ Bank and UFJ Trust Bank resigned in May 2004. Subsequently, in October 2004, the Financial Services Agency filed criminal indictments against UFJ Bank and former members of its management with the Tokyo District Public Prosecutors Office. At the same time, the Financial Services Agency ordered the suspension of loan origination for new customers by UFJ Bank s Tokyo corporate office and Osaka corporate office for the period from October 18, 2004 to April 17, 2005. In conjunction with these indictments, the Tokyo District Public Prosecutors Office announced in December 2004 that it would seek to prosecute UFJ Bank, its former executives and a former employee on suspicion of violations of the Banking Law.

Retail Banking

UFJ Bank s retail banking business serves individual customers through its large domestic network of manned and automated service outlets as well as alternative service distribution channels such as the Internet, mail and telephone. As of March 31, 2005, UFJ Bank had approximately 15 million retail banking customers. In cooperation with other group companies, UFJ Bank provides its retail banking customers with a full range of deposit and loan products as well as a range of securities, credit card and other retail services.

Retail Network. UFJ Bank has an extensive domestic network comprised of 410 branches, 75 sub-branches and 1,642 fully automated service outlets as of September 30, 2004. These branches and service outlets are concentrated principally in Japan s three largest metropolitan areas of Tokyo, Osaka and Nagoya.

Since the merger of Sanwa Bank and Tokai Bank in January 2002, UFJ Bank has restructured its branch network to reduce duplicative branch locations, customized branch office capabilities to the requirements of its customer base, and promoted the efficient distribution and cross-selling of services through the establishment of joint branches designed to offer retail banking, trust and/or securities-related products and services at a single location. From January 15, 2002 to September 30, 2004, UFJ Bank and UFJ Trust Bank on a combined basis reduced the number of their manned domestic branches from 494 to 410, and implemented their strategy to limit lines of service offered at each branch office to those services for which customer demand exists.

While reducing the number of manned branches, UFJ Bank has increased the role that automated teller machines, including ATMs owned and operated by third parties, play in ensuring that its customers enjoy easy access to its services. As of September 30, 2004, UFJ Bank had 1,642 fully automated service corners, and through agreements with third parties had arranged for services to be made available through an additional 12,657 ATMs. Over the last few years, UFJ Bank has increased the range of financial products and services that retail customers can access through its ATM network, making this an efficient distribution channel for a broadening array of retail banking services. For example, UFJ Bank s Automated Consulting and Contract Machines enable its customers to conduct a range of transactions through an audiovisual intercom connection to an operator even after regular business hours or on holidays. These transactions include opening accounts, registering change of addresses, reporting lost cash cards and bank account books and making repayments of housing loans.

UFJ Bank (then Sanwa Bank) opened its first joint branch with UFJ Trust Bank (then Toyo Trust) in 1999, and its first joint branch with UFJ Tsubasa Securities in 2002. As of March 31, 2005, UFJ Bank and UFJ Trust Bank had 11 joint branches offering banking and trust services and UFJ Bank and UFJ Tsubasa Securities had 8 joint branches offering banking and securities brokerage services. On December 1, 2004, when the ban on the provision of securities intermediary services by Japanese commercial banks was lifted, UFJ Bank began to offer securities intermediation services with UFJ Tsubasa Securities and installed securities sales desks in 15 branches, primarily in the Tokyo, Nagoya and Osaka metropolitan areas.

Table of Contents

In recent years the UFJ group has also increased substantially its customers ability to access its services through the Internet, by telephone and through other non-traditional service channels. Almost all of the UFJ group s retail banking services are now offered through on-line banking. On-line banking services may also be accessed through customers mobile phones.

In September 2003, UFJ Bank began implementing its UFJ24 initiative to improve the accessibility of its services and further enhance customer convenience. As one vital part of this initiative, the number of locations offering 24-hour UFJ Bank ATMs nationwide was expanded from 12 to 308 in September 2003. As of March 31, 2005, 328 locations offered 24-hour UFJ Bank ATMs. UFJ Bank also introduced 24-hour live operator service for its telephone customer-service center starting in October 2003. Other steps in this initiative include increasing the number of TV service windows that operate evenings and weekends, opening new types of branches with greatly extended operating hours for teller services, setting up teller windows exclusively for individuals and introducing a reservation system to reduce waiting time.

Deposits. UFJ Bank offers a full range of deposit products, including non-interest bearing accounts, interest-bearing ordinary deposits, time deposits with various maturities up to ten years, negotiable certificates of deposit and foreign currency denominated deposits. As of September 30, 2004, UFJ Bank had approximately ¥24 trillion in deposits from retail customers and approximately ¥436 billion of foreign currency denominated deposits, of which 75% were U.S. dollar deposits, 18% were Australian dollar deposits and 6% were Euro deposits.

Sales of Investment Trust and Insurance Products. Upon deregulation of a range of Japanese banking services and in response to increasing demands of customers for substitute products for deposits under a prolonged low interest rate environment, UFJ Bank has offered over-the-counter sales of investment trust and insurance products through its retail branch network since December 1999 and April 2001, respectively. Initially, sales of insurance products were restricted to the areas of housing loan insurance and casualty insurance during overseas travel. Since October 2002, as a result of further deregulation, UFJ Bank has also been offering annuity insurance products. UFJ Bank expects to add more products for over-the-counter sales in the future. UFJ Bank receives fees for the initial sale of investment trust products and insurance products, and continues to receive annual fees with respect to the outstanding investment trust securities sold. UFJ Bank sold ¥429 billion of investment trust products to retail customers during the fiscal year ended March 31, 2004 and ¥436 billion during the fiscal year ended March 31, 2005. An aggregate of ¥828 billion of investment trust securities sold by UFJ Bank was outstanding as of September 30, 2004. UFJ Bank sold ¥111 billion of annuity insurance products to retail customers in the fiscal year ended March 31, 2004 and ¥236 billion during the fiscal year ended March 31, 2005.

Retail Lending. UFJ Bank s retail banking unit offers a range of loan products, including housing and consumer loans.

Table of Contents

UFJ Bank is one of the leading private-sector housing lenders in Japan, and it sees this area as an opportunity for further growth in spite of the overall declines in the Japanese real estate market. In recent years it has used its housing loan offices, which numbered 124 as of March 31, 2005, to deepen its relationships with housing developers and real estate brokers, which are the source for about 90% of UFJ Bank s new housing loans. UFJ Bank offers housing loans with a variety of interest rate and repayment structures, and has sought to reduce the time required to process loan applications by increasing the efficiency of its credit investigation process and improving its auto-scoring model. As a result of its efforts, UFJ Bank booked ¥1.6 trillion in new housing loans during the fiscal year ended March 31, 2004 and ¥0.6 trillion during the six months ended September 30, 2004. The following table sets forth the outstanding balance of housing loans and other loans to individuals under Japanese GAAP in UFJ Bank s domestic loan portfolio as of the dates set forth below:

	As of March 31,		As of September 30,	
	2003	2004	2003	2004
	(in billions)			
Housing loans	¥ 6,359	¥ 7,361	¥ 6,721	¥ 7,653
Other loans to individuals	3,113	2,902	2,999	2,802
Total loans to individuals[(1)]	¥ 9,472	¥ 10,264	¥ 9,720	¥ 10,455

(1) Excludes loans by Mobit Co.

UFJ Bank s retail branches provide consumer loans of various kinds. In addition, through Mobit Co., a joint venture formed in 2000 with two consumer finance companies, UFJ Bank provides consumer financing to individual borrowers whose credit quality is lower than that traditionally served by commercial banks but higher than that served by consumer finance companies. Combining the consumer finance expertise of UFJ Bank s partners with the trusted UFJ brand, UFJ Bank seeks to extend consumer loans to this traditionally underserved market segment at higher interest rates than would typically be charged in its retail banking business. As of March 31, 2005, Mobit had approximately 261,000 customer accounts and total loans outstanding of ¥201 billion. Mobit also guarantees consumer loans of regional banks and, as of March 31, 2005, had guaranteed ¥61 billion of loans originated by regional banks and the UFJ group. From October 2002, UFJ Bank also began providing consumer credit card loans that are guaranteed by Mobit in the same way that Mobit guarantees consumer loans of regional banks.

UFJ Bank s subsidiary UFJ Card is one of Japan s leading credit card issuers, and plays a key role in the group s retail banking business. UFJ Card had 8.9 million cardholders as of September 30, 2004, an increase of 0.2 million from March 31, 2004. In March 2004, UFJ Bank also invested ¥200 billion in convertible preferred shares issued by Nippon Shinpan Co., Ltd., another major issuer of credit cards in Japan. The investment is part of a strategic alliance between the two institutions in the credit card business that is intended to strengthen the competitiveness of UFJ Bank s retail business. As of September 30, 2004, Nippon Shinpan had approximately 14.4 million cardholders. Together with its wider business integration with MTFG, the UFJ group also intends to merge UFJ Card and Nippon Shinpan by October 2005.

Corporate Banking

UFJ Bank serves a broad corporate customer base, including many leading companies in Japan as well as a variety of governmental and quasi-governmental entities. As of March 31, 2005, UFJ Bank had approximately 67,000 corporate clients, excluding small businesses. In December 2004, the UFJ group transferred a portion of UFJ Trust Bank s operations relating to large-sized companies to UFJ Bank in order to improve both efficiency and credit management.

UFJ Bank has identified small- and medium-sized companies as the primary market for its commercial loans, and has been developing and marketing new loan products for that market. Although large corporate clients remain an important part of its overall business, commercial lending and the provision of other financial services to medium-sized companies are the primary focus for growth for its corporate banking business unit.

In order to increase lending to small business customers, UFJ Bank set up, in April 2003, the Business Banking Office (BBO). The BBO has introduced new types of loans for which credit examinations are done by an auto-scoring model, and that do not require collateral.

One key aim of UFJ Bank s corporate banking business is to increase fees and commissions. Fee and commissions businesses include settlement services, foreign exchange-related services, investment banking (including arranging privately placed bonds, syndicated loans, merger and acquisitions and securitizations) and sales of derivatives products. In Japan, investment banking businesses were historically provided mainly to large corporate customers. However, UFJ Bank is now targeting medium-sized companies by utilizing the know-how gained from business with large corporate customers and in overseas markets, standardizing its services and lowering the minimum contract amount. UFJ Bank is closely cooperating with UFJ Tsubasa Securities in providing investment banking services to its customers, especially in the mergers and acquisitions area, with UFJ Bank playing primarily a client relationship role and UFJ Tsubasa Securities leading the execution of transactions.

In an effort to improve the quality of its loan portfolio, UFJ Bank has taken measures to help troubled borrowers restructure and revive their businesses. In July 2002, UFJ Bank established the Corporate Advisory Group to closely monitor troubled borrowers. Through this group, UFJ Bank makes final disposals of problem loans in cases when borrowers have no hope of recovery and provides support to borrowers who are experiencing financial difficulties but have strongly competitive core businesses. In cooperation with companies in the UFJ group such as UFJ Tsubasa Securities and UFJ Trust Bank, as well as other entities involved in effecting corporate revivals such as business consulting firms, the Resolution and Collection Corporation and the Industrial Revitalization Corporation, UFJ Bank proactively works with customers to effect their restructuring and revitalization. In the fiscal year ended March 31, 2005, UFJ Bank took aggressive steps to support major large troubled borrowers by forgiving indebtedness, engaging in debt-for-equity swaps and offering other support.

To accelerate revitalization of small- and medium-sized companies, UFJ Bank established UFJ Strategic Partner, a joint venture with Merrill Lynch, in December 2002 and in March 2003 transferred to it, or arranged for it to take a participation interest in, loans with a face value of approximately ¥1.3 trillion to small- and medium-sized companies. Utilizing Merrill Lynch s experience and expertise in the corporate revitalization business, UFJ Strategic Partner provides advisory services for formulating and implementing restructuring plans. Beginning in July 2004, UFJ Strategic Partner s role was expanded to include providing advisory services for additional problem loans to small- and medium-sized companies. As a result, UFJ Strategic Partner now advises small- and medium-sized companies with their problem loans, and UFJ Bank focuses on preventive measures involving borrowers in all higher-risk categories.

In another measure aimed at improving its loan portfolio, UFJ Bank established the Genesis Fund with Merrill Lynch in July 2004. The Genesis Fund is an investment fund that purchases loans extended by UFJ Bank and other financial institutions mainly to small- and medium-sized companies and works with these borrowers to increase their corporate value. The Genesis Fund targets companies that have sound business operations but are experiencing difficulties because of excessive investments or debt and where prospects are good for increasing corporate value by conducting financial restructuring programs and taking other actions. The Genesis Fund purchases these loans at market prices and, while extending additional financing as deemed appropriate, works with borrowers to return them to financial health. The Genesis Fund is owned 70% by Merrill Lynch and 30% by the UFJ group and can have assets of up to ¥100 billion. Frontier Servicer Co., a UFJ group company, will service the loans on behalf of the Genesis Fund.

Leasing and Factoring. The UFJ group s leasing operations were integrated in April 2004 to form UFJ Central Leasing Co., Ltd. UFJ Central Leasing had consolidated assets of ¥940 billion as of September 30, 2004, ranking it third in Japan s leasing industry, and serves approximately 72,000 corporate clients. UFJ Business Finance specializes in providing factoring services to corporate clients.

Global Finance and Trading Business

UFJ Bank s global banking and trading business consists of two business segments:

- overseas commercial banking, and
- global trading.

Overseas Commercial Banking. UFJ Bank s overseas commercial banking services network consists of locations in 31 cities in 16 countries. As of March 31, 2005, UFJ Bank had the following marketing bases outside of Japan: 18 branches, 5 sub-branches, 3 representative offices and 10 subsidiaries. UFJ Bank had international deposits and negotiable certificates of deposit of ¥2 trillion as of September 30, 2004, denominated mostly in U.S. dollars.

The focus of UFJ Bank s overseas commercial banking is to support the overseas activities of Japanese companies, particularly in Asia. Many of its existing small- and medium-sized corporate customers have been expanding, and will continue to expand, their manufacturing facilities outside of Japan, especially in Asia. UFJ Bank will continue to develop services to accommodate its corporate customers demands, arising in connection with their overseas expansion, by utilizing its large network and forming alliances, including equity investments, with major local banks in Asia which can provide local currency lending to its customers.

In particular, UFJ Bank has developed a significant network in China, with five branches and one representative office in mainland China, and one branch and one sub-branch in Hong Kong, as well as alliances with a number of local banks. The UFJ group uses this platform to extend financial services and other forms of assistance to Japanese companies and other clients. Four Chinese branches are licensed to conduct deposit, loan and settlement services in Chinese yuan. In November 2003, the group established the China Business Planning Department in Shanghai to strengthen and promote business strategies for China. In addition, China Business Promotion Offices are located in Tokyo, Osaka and Nagoya to provide extensive services and information on business opportunities in China to clients.

UFJ Bank s overseas commercial banking network contributes to its global settlement business. UFJ Bank s branch and affiliate network in Asia provides the settlement services required by many of UFJ Bank s medium-sized corporate clients that have operations throughout Asia. UFJ Bank s global network allows it to offer enhanced cash management systems to meet the demands of its corporate clients throughout most parts of the world.

Global Trading. As part of its global trading business, UFJ Bank offers various products that allow its corporate customers to enhance their cash flow and/or manage their business-related risks. UFJ Bank offers a full range of foreign exchange and derivative products. In addition, UFJ Bank engages in proprietary trading of foreign exchange, bonds and derivative instruments, both in the Japanese and overseas trading markets. Recently, UFJ Bank has focused on flow trading, which involves making trading positions on customer orders.

Planning and Administration

UFJ Bank s planning and administration unit consists of the general funding department, which conducts treasury operations, and the strategic support group, which provides financial assistance and rehabilitation consulting services mainly to borrowers classified as special mention with loans of ¥500 million or more, borrowers classified as doubtful or below and certain other large borrowers.

Table of Contents

UFJ Trust Bank

UFJ Trust Bank administers various trusts, such as investment trusts and pension trusts, and offers various other trust-related services, such as corporate agency services, real estate services and testamentary and inheritance services. As part of the efforts to integrate the trust business, the merger of Sanwa Trust and Banking Company, Limited into Toyo Trust was completed in October 1999. In addition, effective July 1, 2001 Toyo Trust merged with The Tokai Trust and Banking Co., Ltd. Toyo Trust changed its name to UFJ Trust Bank on January 15, 2002.

The UFJ group expects to generate additional business opportunities and develop new trust-related products and services as its commercial banking customers are referred to trust-related services and as the UFJ group increases collaboration among its trust business unit and other business units. In order to increase customer referrals and encourage cooperation among its business units, the UFJ group has initiated several programs, such as employee exchange programs and educational seminars on trust products and services for its commercial bankers, and will continue to develop additional coordination initiatives.

UFJ Bank and UFJ Trust Bank have established joint branches at 11 locations to offer retail banking services and trust services. In addition, the UFJ group has appointed UFJ Bank as trust agency of UFJ Trust Bank, and offered trust services through 199 of UFJ Bank s branches as of September 30, 2004.

The UFJ group has identified loan trusts, jointly operated money trusts, pension trusts, securities related services, corporate agency services and the securitization business as its core trust businesses.

Loan Trusts and Jointly Operated Money Trusts. UFJ Trust Bank offers loan trusts and jointly operated designated money trusts as savings vehicles primarily for individuals. UFJ Trust Bank generally guarantees the principal of loan trusts and jointly operated designated money trusts. Trust beneficiaries are entitled to receive a dividend, which in principle is based on the performance of the trust assets but in practice is the projected rate published at the time of subscription and at the beginning of each semiannual period. As of September 30, 2004, UFJ Trust Bank had ¥0.7 trillion of assets in loan trusts and ¥1.4 billion of assets in jointly operated designated money trusts with principal indemnity clauses.

Corporate Agency Services. UFJ Trust Bank provides a variety of services relating to equity securities for companies, including stockholder registry management, stock transfer operations, notices of stockholder meetings, calculation and payments of dividends and services relating to capital increases. In addition, UFJ Trust Bank provides advice to companies seeking to list their shares. The UFJ group believes the demand for corporate agency services will increase as the number of companies seeking to list their shares rises and the numbers of stockholders and publicly traded shares increase. As of September 30, 2004, UFJ Trust Bank provided corporate agency services for 884 domestic publicly traded companies and 1,237 domestic private companies, and is one of the leaders in this area.

Real Estate Related Services. UFJ Trust Bank offers a broad range of services to meet customer needs in the real estate field, including the following:

- real estate brokerage,

- land trust, which refers to management of real property on behalf of the owner,
- real estate consulting, and
- real estate appraisal.

Securitization Business. In recent years, Japan s market for asset securitization has continued to expand as companies seek to streamline their balance sheets and diversify their sources of funding, and as investors increasingly seek asset-backed products to diversify their investment portfolio. UFJ Trust Bank is actively

Table of Contents

developing a range of products to respond to this increasing demand for securitization services. In addition, Toyo Trust will seek opportunities to offer securitization services to its expanded corporate banking customers as its operations become more fully integrated. UFJ Trust Bank s products and services in this area include the following:

- *Monetary claim trusts*: Financial institutions and other types of companies often use monetary claim trusts as a method of funding by entrusting their monetary assets and then selling their beneficial interests in these trusts to third party investors. Assets entrusted in monetary claim trusts include commercial loan portfolios, trade receivables and specific claims, such as leases, credit card receivables and automobile loans.

- *Lease property trusts*: Leased assets, such as office equipment and other types of equipment, owned by leasing companies, are entrusted and beneficiary interests in the trust are sold to investors.

- *Real estate securitization*: Owners of real estate entrust their real estate interests, and equity and debt securities and other financial instruments backed by the real estate are sold to investors. UFJ Trust is engaged in the establishment and administration of these investment vehicles.

Pension Trusts. The management of corporate pension trusts and national pension fund trusts comprises a significant portion of the UFJ group s trust business. As Japan s population continues to age, corporate pensions that provide for the support of retirees are attracting growing interest from society at large. In addition, various changes in retirement pension plans, including the introduction of defined contribution pension plans have been implemented and are expected to lead to an increase in pension fund assets. As a result, the UFJ group expects increased demand for UFJ Trust Bank s pension trust related services, such as actuarial accounting, record keeping of entrants and qualified beneficiaries, receipt of contributions and payment of benefits and the administration and management of pension assets. As of September 30, 2004, UFJ Trust Bank managed approximately 3,800 pension trust funds with total assets of ¥6.8 trillion.

Securities Related Services. Funds entrusted in investment trusts and specific money trusts (*tokkin*) are held by UFJ Trust Bank and invested in a portfolio of securities as directed by an asset management company. Since UFJ Trust Bank does not exercise investment discretion over the entrusted funds, its role is limited to administrative functions. In recent years, the level of assets entrusted in investment trusts has increased as retail investors have increasingly turned to investments in equity markets for higher returns. In addition, recent liberalization of financial markets in Japan has required trust banks to provide more diverse and sophisticated administration services with respect to these types of trusts. As one of the leaders in the administration of investment trusts, the UFJ group believes it is well positioned to take advantage of these developments. As of September 30, 2004, UFJ Trust Bank acted as trustee for investment trusts established by 47 investment trust companies, with total assets in trust of ¥12.3 trillion.

Private Client Services. The UFJ group offers a wide range of services relating to asset management and inheritance to high net worth individuals, through Private Securities Management Co., Ltd., a company in which the UFJ group owns 92.2% of the issued shares.

Other

The UFJ group s other business unit is comprised of its securities business, its asset management business and other businesses.

Securities Business

Through its subsidiary UFJ Tsubasa Securities, formed in June 2002 through the merger of UFJ Capital Markets Securities and Tsubasa Securities, the UFJ group underwrites and deals in public bonds and equity securities, provides commissioned company services for corporate bonds, arranges private placements, provides

Table of Contents

retail brokerage services and provides custodial and other securities-related services. The UFJ group companies own approximately 70% of the shares of UFJ Tsubasa, which is listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.

Wholesale Securities. The UFJ group acts in the domestic capital markets as an underwriter of debt securities and equity securities. Historically, bank-affiliated securities companies focused primarily on underwriting bond issuances because regulatory restrictions limited the ability of subsidiaries of banks to underwrite equity issuances. Since deregulation in October 1999, bank-affiliated securities companies have been developing their equity underwriting business. UFJ Tsubasa Securities underwrote ¥568 billion of bond issuances and ¥75 billion of equity issuances for the year ended March 31, 2004 and ¥244 billion of bond issuances and ¥113 billion of equity issuances for the fiscal year ended March 31, 2005.

In addition, the UFJ group actively trades in the secondary markets for Japanese government bonds, local government bonds and government-guaranteed bonds. For the year ended March 31, 2004 and the six months September 30, 2004, the aggregate value of bonds traded by UFJ Tsubasa Securities, excluding bond futures and bond futures options, exceeded ¥140 trillion and ¥85 trillion, respectively.

Retail Securities. The UFJ group offers retail securities brokerage services primarily through UFJ Tsubasa Securities. UFJ Tsubasa Securities had ¥3.8 trillion in customer assets as of March 31, 2005.

Through its affiliate, kabu.com Securities Co. Ltd., in which the UFJ group has a 29% interest, the UFJ group also offers on-line retail brokerage and investment trust services. As of March 31, 2005, kabu.com Securities had approximately 233,000 customer accounts.

Asset Management Business

The UFJ group s asset management business includes:

- the management of clients assets, mainly pension funds, and
- the formation, offering and management of investment trusts.

The UFJ group believes that the integration of businesses of the UFJ group companies will enable the UFJ group to expand its asset management business. In particular, the UFJ group intends to:

- build upon the capabilities of the UFJ group s trust business to expand its asset management business, and
- draw on the marketing capabilities of its retail banking business to increase sales of investment trusts.

Asset Management Business. UFJ Trust Bank and UFJ Asset Management Co., Ltd., which was formed in April 2001 through a merger among Sanwa Asset Management Co., Ltd., Tokai Asset Management Co., Ltd. and The Toyo Trust Asset Management Co. Ltd., both offer asset management services. As of September 30, 2004, UFJ Trust Bank and UFJ Asset Management Co., Ltd. on a combined basis managed approximately ¥14.6 trillion of assets entrusted by their clients. The UFJ group intends to continue offering these services in a more focused fashion, with UFJ Trust Bank focusing on an investment style emphasizing balanced portfolio management and UFJ Asset Management focusing on a more active investment style emphasizing particular investment sectors.

Investment Trust Management Business. In Japan, sales of investment trusts by banks have been allowed since December 1998. As individuals diversify their investment portfolios, sales of investment trusts through bank counters have steadily increased. The UFJ group has been able to increase sales of investment trusts without affecting its deposit base. The UFJ group forms, offers and manages investment trusts through UFJ Partners

Table of Contents

Asset Management Co., Ltd., which had assets of ¥2.14 trillion under management as of September 30, 2004. Moreover, the UFJ group has also been expanding the marketing and sales outlets for its investment trusts, such as increasing over-the-counter sales of investment trusts through its retail banking network and beginning to offer investment trusts through its securities brokerage affiliates and through other unaffiliated financial institutions.

Information Technology

In recent years, information technology has become vital to the competitiveness of financial institutions. The UFJ group believes its mainframe system and branch operation systems are well-suited to support the provision of a full line of financial services and to accommodate the addition of new products, services and affiliated financial service providers.

The mainframe system that serves UFJ Bank, which was installed and became fully operational in January 2002, utilizes a hub and spoke architecture that allows the addition of new distribution channels, products, services and business alliances. The system is made up of independent components for specific business sectors, which simplifies the development and upgrade of systems. A data warehouse framework enables the centralized management of data. UFJ Bank also employs an innovative branch operating system which offers image processing and other capabilities that simplify the processing of hand-written forms and other back-office tasks, and also facilitates the centralization of clerical functions.

As part of a continuing plan announced in September 2003 to enhance its information technology capabilities, in April 2004 UFJ Holdings established a subsidiary to promote the development of internal systems and, through the reorganization of another subsidiary, UFJ Holdings plans to strengthen its business alliance with TIS Inc. relating to the development and provision of information-technology consulting services.

Employees

As of September 30, 2004, the UFJ group had 32,372 employees. The UFJ group considers its labor relations to be good.

Legal Proceedings

Sumitomo Trust & Banking Co. filed a lawsuit with the Tokyo District Court on October 28, 2004 seeking to prevent the UFJ group from engaging in negotiations concerning the possible sale of its trust business with any third party, including MTFG, and instead negotiate exclusively with Sumitomo Trust through June 2005. On March 7, 2005, Sumitomo Trust submitted a brief adding an alternative claim for damages of ¥100 billion, claiming that it should be compensated in an amount equivalent to the profit it claims it would have received had the proposed transfer of certain operations of UFJ Trust Bank to Sumitomo Trust been consummated.

The UFJ group is also subject to administrative sanctions and criminal proceedings brought by the Financial Services Agency and described under Supervision and Regulation Administrative Sanctions Against the UFJ Group by the Financial Services Agency below.

Competition

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

Table of Contents

Japan

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

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

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

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

- the separation of banking and securities businesses in Japan; and
- the distinctions among the permissible activities of Japan s three principal types of private banking institutions.

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

In the consumer banking sector, the deregulation of interest rates on yen deposits and other factors have enabled banks to offer customers an increasingly attractive and diversified range of products. For example, banks may now sell investment trusts and some types of insurance products, with the possibility of expanding to additional types of insurance products in the future. The combined entity will face competition in this sector from other private financial institutions as well as from Japan Post, a government-run public services corporation established on April 1, 2003, which was formerly known as the Postal Service Agency and which is the world s largest holder of deposits. Recently, competition has also increased due to the development of new products and distribution channels. For example, Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner and to create sophisticated new products in response to customer demand.

The trust assets business is a promising growth area that is competitive and becoming more so because of changes in the industry. In addition, there is growing corporate demand for change in the trust regulatory

141

Table of Contents

environment, such as reform of the pension system and related accounting regulations under Japanese GAAP. However, competition may increase in the future as regulatory barriers to entry are lowered. A new trust business law came into effect on December 30, 2004. Among other things, the new new trust business law expands the types of property that can be entrusted and allows non-financial companies to conduct trust business upon approval. The new law also adopts a new type of registration for companies that wish to conduct only the administration type trust business. These regulatory developments are expected to facilitate the expansion of the trust business, but competition in this area is also expected to intensify.

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

Foreign

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

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

The Japanese Financial System

Japanese financial institutions may be categorized into three types:

- the central bank, namely the Bank of Japan;
- private banking institutions; and
- government financial institutions.

The Bank of Japan

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

Table of Contents

Private Banking Institutions

Private banking institutions in Japan are commonly classified into three categories (the following numbers are based on currently available information published by the Financial Services Agency) as of April 15, 2005:

- ordinary banks (127 ordinary banks and 69 foreign commercial banks with ordinary banking operations);
- trust banks (25 trust banks, including 6 Japanese subsidiaries of foreign financial institutions); and
- long-term credit banks (one long-term credit bank).

Ordinary banks in turn are classified as city banks, of which there are six, including Bank of Tokyo-Mitsubishi and UFJ Bank, and regional banks, of which there are 112. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

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

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

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

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

In recent years, almost all of the city banks have consolidated with other city banks and also, in some cases, with trust banks or long-term credit banks. Integration among these banks was achieved, in most cases, through the use of a bank holding company as discussed in Competition Japan Integration and Supervision and Regulation Japan Bank Holding Company Regulations.

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

Government Financial Institutions

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

Table of Contents

Among them are the following:

- The Development Bank of Japan, whose purpose is to contribute to the economic development of Japan by extending long-term loans, mainly to primary and secondary sector industries;
- Japan Bank for International Cooperation, whose purpose is to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation;
- Japan Finance Corporation for Small Business, The Government Housing Loan Corporation and The Agriculture, Forestry and Fisheries Finance Corporation, the purpose of each of which is to supplement private financing in its relevant field of activity; and
- The Postal Service Agency, which was reorganized in April 2003 into Japan Post, a government-run public services corporation.

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

Supervision and Regulation

Japan

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

After several reorganizations of Japanese governmental agencies, the Financial Services Agency was established as an agency of the Cabinet Office in 1998. It is responsible for supervising and inspecting financial institutions, making policy for the overall Japanese financial system and conducting insolvency proceedings with respect to financial institutions. The Bank of Japan, as the central bank for financial institutions, conducts on-site inspections, in which its staff visits financial institutions and inspects the assets and risk management systems of those institutions.

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

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

A bank holding company is prohibited from carrying on any business other than the management of its subsidiaries and other incidental businesses. A bank holding company may have any of the following as a subsidiary: a bank (including a trust bank and a long-term credit bank), a securities company, an insurance

Table of Contents

company or a foreign subsidiary that is engaged in the banking, securities or insurance business. In addition, a bank holding company may have as a subsidiary any company that is engaged in a business relating or incidental to the businesses of the companies mentioned above, such as a credit card company, a leasing company or an investment advisory company. Companies that cultivate new business fields may also become the subsidiary of a bank holding company.

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

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

- the risks pertaining to interest rate-related instruments and equities in the trading book; and
- foreign exchange risks and commodities risks of the bank.

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

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

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

- general reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets;
- 45% of the unrealized gains on investment securities available for sale;
- 45% of the land revaluation excess;

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

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

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

Inspection and reporting. By evaluating banks systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the Financial Services Agency monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The inspection of banks is performed pursuant to a Financial Inspection Manual published by the Financial Services Agency with a view to emphasizing (1) each bank s self-assessment rather than the advice of the governmental authority and (2) risk management made by each bank instead of a simple assessment of its assets. In recent years, the Financial Services Agency has continuously conducted special inspections of major banks in Japan regarding the grading and levels of write-offs and provisioning of some of their borrowers.

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

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

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

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

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

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

In October 2002, the Policy Board of the Bank of Japan issued guidelines for the Bank of Japan s purchase of listed stocks from commercial banks whose aggregate value of stockholdings exceed their Tier I capital. The Bank of Japan has adopted this policy for the purpose of assisting commercial banks in reducing the size of their share portfolios without materially adversely affecting prevailing market prices. Under the guidelines, which

Table of Contents

were revised in March 2003, the Bank of Japan will acquire up to ¥3 trillion of stock from the portfolios of commercial banks at prevailing market prices and not sell the acquired securities until after September 2007.

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

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

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

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

In addition, MTFG, UFJ Holdings and some of their subsidiaries are required to file with the Director of the Kanto Local Finance Bureau of the Ministry of Finance a securities report for each fiscal period supplemented by semi-annual and extraordinary reports pursuant to the Securities and Exchange Law.

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

Law concerning trust business conducted by financial institutions. Under the Trust Business Law, joint stock companies that are licensed by the Prime Minister as trust companies are allowed to conduct trust business. In addition, under the Law Concerning Concurrent Operation for Trust Business by Financial Institutions, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust business. The Trust Business Law was amended in December 2004 to expand the types of property that can be entrusted, to allow non-financial companies to conduct trust business and to allow a new type of registration to conduct only the administration type trust business.

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

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

Under the Deposit Insurance Law, the maximum amount of protection is ¥10 million per customer within one bank. Since April 1, 2005, all deposits are subject to the ¥10 million cap, except non-interest bearing deposits that are redeemable on demand and used by the depositor primarily for payment and settlement functions, which are fully protected without a maximum amount limitation. Currently, the Deposit Insurance Corporation charges

Table of Contents

insurance premiums equal to 0.09% on the deposits in current accounts, ordinary accounts and other similar accounts, which are fully protected as mentioned above, and premiums equal to 0.08% on the deposits in other accounts.

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

The Law Concerning Emergency Measures for Revitalization of Financial Function, or the Financial Revitalization Law, enacted in October 1998, provides for (1) temporary national control of a failed financial institution, (2) the dispatch of a financial resolution administrator to the failed financial institution, and (3) the establishment of a bridge bank which takes over the business of the failed financial institution on a temporary basis.

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

Banks and bank holding companies that have received investments from the Resolution and Collection Corporation under the framework that previously existed under the Financial Function Early Strengthening Law, including UFJ Holdings, are required to submit and, if necessary, update their restructuring plans relating to their management, finances and other activities. If a bank or bank holding company materially fails to meet the operating targets set in its restructuring plan, the Financial Services Agency can require it to report on alternative measures to achieve the targets, and also issue a business improvement order requiring it to submit a business improvement plan that indicates concrete measures to achieve the targets. See Administrative Sanctions Against the UFJ Group by the Financial Services Agency. The preferred shares that were previously issued by UFJ Holdings to the Resolution and Collection Corporation will be exchanged for newly issued preferred shares of the combined entity, and as a result, the surviving entity will also be required to submit restructuring plans until those preferred shares are redeemed. See Risk Factors Risks Relating to the Combined Entity s Business after the Merger The combined entity may fail to meet the operating targets in the restructuring plan it will submit to the Financial Services Agency, which could subject it to administrative actions, the replacement of senior management, the conversion of preferred shares held by the Resolution and Collection Corporation and other adverse actions.

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

Personal Information Protection Law. With regards to protection of personal information, the new Personal Information Protection Law became fully effective on April 1, 2005. Among other matters, the law requires Japanese banking institutions to limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids them from providing personal information to third parties without consent. If a bank violates certain provisions of the law, the Financial Services Agency may advise or order the bank to take proper action. Furthermore, stricter rules than the standards stated in the law may be introduced for financial institutions in the near future.

148

Administrative Sanctions Against the UFJ Group by the Financial Services Agency. The UFJ group s predecessor entities, like other major Japanese banks, were recipients of public funds in the form of preferred shares and subordinated loans during the 1990s. Due to the continued ownership by Japan s Resolution and Collection Corporation of preferred shares of UFJ Holdings, the UFJ group is required to prepare a business revitalization plan and report to the Financial Services Agency on progress in meeting its goals. For the year ended March 31, 2003, 15 financial institutions, including the UFJ group, underperformed some of their plan targets by more than 30% and, as a result, the Financial Services Agency in August 2003 issued business improvement administrative orders against such institutions.

For the year ended March 31, 2004, the UFJ group again failed to meet the goals of its business revitalization plan, largely due to the recognition of substantial additional credit-related expenses as a result of inspections conducted by the Financial Services Agency on the classification of large borrowers. In the course of those inspections, the Financial Services Agency concluded that members of the UFJ group s management had taken actions that amounted to evasions of inspection. Following these events, the UFJ group was the subject of additional business improvement administrative actions by the Financial Services Agency in June 2004. The causes of these sanctions led to the resignation of the top management of UFJ Holdings, UFJ Bank and UFJ Trust Bank. The administrative order also directed the UFJ group to address serious deficiencies in its internal control framework. The UFJ group s new management submitted a business improvement plan to the Financial Services Agency in July 2004 and intends to take any measures necessary to address the Financial Services Agency s concerns. Subsequently, in October 2004, the Financial Services Agency filed criminal indictments against UFJ Bank and former members of its management with the Tokyo District Public Prosecutors Office. At the same time, the Financial Services Agency ordered the suspension of loan origination for new customers by UFJ Bank s Tokyo corporate office and Osaka corporate office for the period from October 18, 2004 to April 17, 2005. In conjunction with these indictments, the Tokyo District Public Prosecutors Office announced in December 2004 that it would seek to prosecute UFJ Bank, its former executive officers and a former employee on suspicion of violations of the Banking Law. In February 2005, three former executives of UFJ Bank pleaded guilty to obstructing the Financial Services Agency s inspections in violation of the Banking Law. On April 25, 2005, UFJ Bank and its former executives were convicted of breaches of the Banking Law. UFJ Bank was fined ¥90 million, a former executive officer was sentenced to ten months imprisonment with a stay of execution for three years and two other former executive officers were sentenced to eight months imprisonment with a stay of execution for three years.

United States

As a result of its operations in the United States, the combined entity will be subject to extensive U.S. federal and state supervision and regulation.

Overall supervision and regulation. The combined entity will be subject to supervision, regulation and examination with respect to its U.S. operations by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, pursuant to the U.S. Bank Holding Company Act of 1956, as amended, or the BHCA, and the International Banking Act of 1978, as amended, or the IBA, because it will be a bank holding company and a foreign banking organization, respectively, as defined pursuant to those statutes.

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

- prohibited further expansion of activities in which bank holding companies, acting directly or through nonbank subsidiaries, may engage;
- authorized qualifying bank holding companies to opt to become financial holding companies, and thereby acquire the authority to engage in an expanded list of activities, including merchant banking, insurance underwriting and a full range of securities activities;

and

Table of Contents

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

MTFG has not elected to become a financial holding company.

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

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

UFJ Bank operates four branches and two representative offices in the United States: it operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; and New York, New York; and representative offices in Florence, Kentucky; and Houston, Texas.

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

U.S. branches and agencies of foreign banks must be licensed, and are also supervised and regulated, by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of national banks. All of the branches and agencies of Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and UFJ Bank in the United States are state-licensed. Under U.S. federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. U.S. federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

As an example of state supervision, the branches of Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and UFJ Bank in New York are licensed by the New York State Superintendent of Banks, or the Superintendent,

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

U.S. subsidiary banks. MTFG indirectly owns and controls three U.S. banks:

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

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

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

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

Bank capital requirements and capital distributions. MTFG s U.S. bank subsidiaries and UnionBanCal Corporation, MTFG s U.S. subsidiary bank holding company, are subject to applicable risk-based and leverage capital guidelines issued by U.S. regulators for banks and bank holding companies. All of MTFG s U.S. subsidiary banks are well capitalized under those guidelines as they apply to banks, and MTFG s U.S. subsidiary bank holding company exceeds all minimum regulatory capital requirements applicable to domestic bank holding companies. The Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the federal banking agencies have established five capital tiers ranging from well capitalized to critically undercapitalized for insured depository institutions. As an institution s capital position deteriorates, the federal banking regulators may take progressively stronger actions, such as further restricting affiliate transactions, activities, asset growth or interest payments. In addition, FDICIA generally prohibits an insured depository institution from making capital distributions, including the payment of dividends, or the payment of any management fee to its holding company, if the insured depository institution would subsequently become undercapitalized.

Table of Contents

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

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

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

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

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS OF MTFG

You should read the following discussion and analysis in conjunction with Selected Consolidated Financial Data of MTFG and MTFG s consolidated financial statements and related notes included elsewhere in this prospectus.

Introduction

MTFG is a holding company for Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. Through its subsidiaries and affiliated companies, MTFG engages in a broad range of financial operations, including commercial banking, investment banking, trust banking and asset management services, and provides related services to individual and corporate customers.

Key Financial Figures

The following are some key figures in accordance with U.S. GAAP relating to MTFG s business:

	Fiscal year ended March 31,			Six months ended September 30,	
	2002	**2003**	**2004**	**2003**	**2004**
			(in billions)		
Net interest income	¥ 1,075.3	¥ 1,043.3	¥ 995.3	¥ 518.4	¥ 479.9
Provision (credit) for credit losses	598.4	438.0	(114.1)	(129.6)	167.1
Non-interest income	359.7	840.6	1,308.1	713.3	427.4
Non-interest expense	1,161.3	1,182.4	1,236.1	582.0	538.4
Net income (loss)	¥ (217.9)	¥ 203.4	¥ 823.0	¥ 529.2	¥ 131.4
Total assets	¥ 94,360.9	¥ 96,537.4	¥ 103,699.1	¥ 101,851.3	¥ 113,294.3

Historically, MTFG s revenues consisted mainly of 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.

In recent fiscal years, non-interest income has increased significantly. Non-interest income consists of:

- fees and commissions, including
  - trust fees,
  - fees on funds transfer and service charges for collections,
  - fees and commissions on international business,
  - fees and commissions on credit card business,
  - service charges on deposits,
  - fees and commissions on securities business, and
  - other fees and commissions;

- foreign exchange gains (losses) net, which primarily include net gains (losses) on currency derivative instruments entered into for trading purposes and transaction gains (losses) on the translation into Japanese yen of monetary assets and liabilities denominated in foreign currencies;

- trading account profits net, which primarily include net gains (losses) on trading securities and interest rate derivative instruments entered into for trading purposes;

- investment securities gains (losses) net, which primarily include net gains on sales of marketable securities, particularly marketable equity securities; and

- other non-interest income.

Provision (credit) for credit losses are charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. Although in recent periods, MTFG generally recorded a provision for credit losses, MTFG recorded a reversal of allowance for credit losses in the six months ended September 30, 2003 and the fiscal year ended March 31, 2004.

Core Business Areas

Effective April 1, 2004, MTFG implemented a new integrated business group system, which integrates the operations of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in the following three areas Retail, Corporate and Trust Assets. These three businesses serve as MTFG s core sources of net operating profit. For operations that are not covered by the integrated business group system, MTFG has classified its business segments into Treasury, UNBC and other.

MTFG reports its segment information based on Japanese GAAP, which is not consistent with MTFG s financial statements prepared on the basis of U.S. GAAP. The following chart illustrates the relative contributions to net revenue for the six months ended September 30, 2004 of the three core business areas and the other business areas based on MTFG s segment information:

Business Trends and Challenges

Reduction of nonperforming loans. MTFG has been actively working on disposing nonperforming loans. MTFG met the guideline for the disposal of nonperforming loans, which was based on a Japanese regulation established under the program for financial revival announced by the Japanese government in October 2002.

Under the program, the Financial Services Agency stated that it would strive to normalize the problems with nonperforming loans by March 31, 2005, by reducing major Japanese banks ratio of nonperforming loans to total loans by about half. The following table sets forth a summary of MTFG s nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, and allowance for credit losses at March 31, 2003 and 2004 and at September 30, 2004:

	March 31, 2003	March 31, 2004	September 30, 2004
	(in billions, except percentages)		
Nonaccrual loans	¥ 1,413.6	¥ 1,083.1	¥ 1,366.3
Restructured loans	1,319.0	632.4	413.9
Accruing loans contractually past due 90 days or more	20.4	15.6	11.5
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	5.68%	3.57%	3.46%
Allowance for credit losses	¥ 1,360.1	¥ 888.1	¥ 938.2
Allowance for credit losses as a percentage of loans	2.81%	1.83%	1.81%
Allowance for credit losses as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	49.41%	51.30%	52.36%

In the future, MTFG may suffer additional losses due to new nonperforming loans, and its allowance for credit losses may be insufficient to cover future loan losses.

Broader range of products. The reduction of barriers since the late 1990s among the banking, securities and insurance businesses has enabled MTFG to engage in businesses which it was not permitted to conduct before. In addition, deregulation of interest rates on yen deposits and other factors have enabled MTFG to offer customers an increasingly attractive and diversified range of products. MTFG has been seeking, and will continue to seek, to increase its fees and commissions by taking advantage of the reduction of barriers and other deregulatory trends.

Greater competition. MTFG faces strong competition in all of its principal areas of operation as a result of the relaxation of regulations relating to Japanese financial institutions. Deregulation has eliminated barriers between different types of Japanese financial institutions, which are now able to compete directly against one another. Deregulation and market factors have also facilitated the entry of various large foreign financial institutions into the Japanese domestic market. Greater competition may prevent MTFG from increasing its level of fee income in the future.

External economic conditions. The financial services industry and the global financial markets are influenced by many unpredictable factors, including economic conditions, monetary policy, international political events, liquidity in global markets and regulatory developments. MTFG s operations are significantly affected by external factors, such as the level and volatility of interest rates, currency exchange rates, stock and real estate markets and other economic and market conditions. In addition, MTFG holds a significant number of shares in some of its customers for strategic purposes, in particular to maintain long-term relationships. These shareholdings expose MTFG to risk of losses resulting from a decline in market prices of the shares. Accordingly, MTFG s results of operations may vary significantly from period to period because of unpredictable events, including unexpected failures of large corporate borrowers, defaults in emerging markets and market volatility.

Table of Contents

Recent Developments

Management Integration of Mitsubishi Tokyo Financial Group and the UFJ Group

Signing of Basic Agreement. On August 12, 2004, MTFG, UFJ Holdings, Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust Bank, UFJ Trust Bank, Mitsubishi Securities and UFJ Tsubasa Securities concluded a basic agreement with regard to the management integration of the holding companies, banks, trust banks and securities companies of the two groups.

Preferred Stock Investment into UFJ Bank. On September 17, 2004, MTFG purchased 3.5 billion class E preferred shares issued by UFJ Bank for ¥700 billion. This capital injection to UFJ Bank is part of MTFG s proposed management integration with the UFJ group. The preferred shares issued by UFJ Bank are non-voting shares but convertible into voting preferred shares of UFJ Bank subject to restrictions set forth in the separate agreement described below. The investment is based on the assumption that the management integration of the two groups will proceed, and is intended to maximize the benefits of the management integration.

On September 10, 2004, MTFG, UFJ Holdings and UFJ Bank also entered into a separate agreement setting forth, among other things, the following:

- restrictions on MTFG s right to convert the non-voting preferred shares into voting preferred shares;
- restrictions on MTFG s ability to transfer the preferred shares; and
- MTFG s put option and UFJ Holdings call option relating to the preferred shares.

For a detailed discussion of MTFG s preferred stock investment into UFJ Bank, see Related Transactions.

Signing of Integration Agreement. On February 18, 2005, MTFG, UFJ Holdings, Bank of Tokyo-Mitsubishi, UFJ Bank, Mitsubishi Trust Bank, 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 Bank of Tokyo-Mitsubishi common stock for each share of UFJ Bank common stock;
- Trust banks: 0.62 shares of Mitsubishi Trust Bank 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.

On April 20, 2005, the parties to the integration agreement amended several technical provisions in the integration agreement to make the terms consistent with the merger agreements signed on April 20, 2005 between the holding companies, banks, trust banks and securities companies.

Announcement of Integration Strategy. On February 18, 2005, MTFG and UFJ Holdings also announced some details about implementing the combined entity s integration strategy. In particular, MTFG and UFJ Holdings announced the following cost saving measures:

- A group-wide reduction and reassignment of roughly 10,000 employees by streamlining back office operations mainly in the head office, including a reduction of staff by approximately 6,000 and a reassignment of approximately 4,000 to strategic business areas and marketing sections by the end of the fiscal year ending March 31, 2009.

- Integration of systems relating to treasury activities and overseas activities by the closing of the merger, and integration of the domestic settlement and information systems by the end of the fiscal year ending March 31, 2008.

Table of Contents

- Consolidation of approximately 170 retail branches and 100 corporate branches in Japan, and approximately 30 overseas branches by the end of the fiscal year ending March 31, 2009.
- Integration of head office functions and overlapping subsidiaries.

In implementing the integration strategy, MTFG anticipates that integration-related costs will exceed cost synergies for the first one to two years following the merger until the cost saving effects begin to materialize. In addition, MTFG expects that the combined entity s revenues will decrease for the first one to two years after the merger as the combined entity adjusts loan exposures to certain borrowers.

Signing of Merger Agreement. On April 20, 2005, MTFG and UFJ Holdings entered into a merger agreement setting forth the final terms of the merger, including the detailed terms of the MTFG shares to be issued to UFJ Holdings shareholders and other proposed amendments to MTFG s articles of incorporation upon the merger, as well as the details of the shareholders meetings at which the merger agreement and related matters necessary to complete the merger will be approved.

Introduction of MTFG s Integrated Business Groups

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

As a result of implementing the new integrated business group system, MTFG has presented the business segment information for the six months ended September 30, 2004 in accordance with a new basis of segmentation. Business segment information for the fiscal years ended March 31, 2002, 2003 and 2004 and for the six months ended September 30, 2003 have been reclassified to conform to the presentation for the six months ended September 30, 2004. See Business Segment Analysis.

Redemption of Class 1 Preferred Shares

On October 1, 2004, MTFG redeemed 40,700 shares of the 81,400 issued shares of its class 1 preferred shares on a pro-rata basis at ¥3 million per share, pursuant to the terms and conditions for class 1 preferred shares set forth in its articles of incorporation.

Further, on April 1, 2005, MTFG redeemed all of the remaining outstanding shares of the class 1 preferred shares, comprising 40,700 shares, at ¥3 million per share, according to the provision of its articles of incorporation.

Issuance of Class 3 Preferred Shares

On February 17, 2005, MTFG issued 100,000 shares of class 3 preferred shares at ¥2.5 million per share, the aggregate amount of the issue price being ¥250 billion. The preferred shares were 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 shares do 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 shares for the fiscal year ended March 31, 2005 will be ¥7,069 per share.

The reason for the issuance was to increase MTFG s equity capital. The proceeds from the issuance have been applied to MTFG s capital injection to Bank of Tokyo-Mitsubishi on February 21, 2005, in which MTFG was allocated preferred shares of Bank of Tokyo-Mitsubishi by means of a third party allocation.

Table of Contents

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 Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. 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 as of that date.

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

In March 2004, MTFG and ACOM, Co., Ltd., a consumer finance company in Japan, reached an agreement with respect to a strategic business alliance in retail financial services and a capital alliance. The main elements of the business alliance are undertaken by ACOM and Bank of Tokyo-Mitsubishi. As part of the capital alliance, in April 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, MTFG held 2.2% of the common shares of ACOM and accounted for the investment as available for-sale securities. As a result of its additional investment and a change in its relationship with ACOM, including an increase in its representation on ACOM s board of directors, MTFG had 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 Accounting Principles Board Opinion, or APB, Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. Accordingly, the accompanying financial statements for the fiscal years ended March 31, 2002, 2003 and 2004 and for the six months ended September 30, 2003 have been retroactively adjusted to reflect the adoption of the equity method. For more information, see note 2 to MTFG s condensed consolidated financial statements as of September 30, 2004 and for the six-month periods ended September 30, 2003 and 2004.

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

On October 29, 2004, MTFG, Bank of Tokyo-Mitsubishi, and MTFG s subsidiaries DC Card Co., Ltd. and Tokyo-Mitsubishi Cash One Ltd., or Cash One, reached a basic agreement with ACOM to integrate and reorganize the business operations of MTFG 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 MTFG owns approximately 45% of the common shares 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., or DCS, a former equity method investee, became MTFG s wholly-owned subsidiary through a stock-for-stock exchange. 26,205 shares of MTFG 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 common stock of MTFG for each share of DCS s common stock. The reason for the share exchange was to reorganize and optimize the organizational structure of MTFG s solution businesses and to clarify DCS s central role as head of MTFG s IT solutions business. Following the completion of the exchange offer, in accordance with a business alliance between DCS and Mitsubishi Research Institute, Inc., or MRI, a research and consulting company headquartered in Tokyo, Japan, MTFG sold 60% 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. and UFJ Partners Asset Management Co., Ltd. entered into a Memorandum of Understanding concerning the merger of Mitsubishi

Table of Contents

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 MTFG 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 announced a new business revitalization plan through the fiscal year ending March 31, 2008. The new revitalization plan includes measures for stabilizing Mitsubishi Motors operations and improving its financial position over the medium-and long-term. In connection with the revitalization plan, and at the request of Mitsubishi Motors, Bank of Tokyo-Mitsubishi, Mitsubishi Heavy Industries, Ltd. and Mitsubishi Corporation participated in a capital enhancement of ¥274 billion by purchasing newly issued common and preferred shares of Mitsubishi Motors on March 10, 2005. As a result, Bank of Tokyo-Mitsubishi subscribed to common and preferred shares of Mitsubishi Motors for an aggregate amount of ¥154 billion, of which ¥54 billion consisted of a debt-for-equity swap. In addition, on March 22, 2005, Mitsubishi Trust Bank purchased, in a debt-for-equity swap, newly issued preferred shares of Mitsubishi Motors for an aggregate amount of ¥10.2 billion.

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. MTFG intends to file, for the fiscal year ended 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 ended March 31, 2005. MTFG currently does not believe that the change in its tax status will have a material impact on its financial position and results of operations.

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

As discussed under Recently Issued Accounting Pronouncements below, the planned transfer of the substitutional portion of employee pension fund is still in process and MTFG cannot reasonably estimate the final impact of the transfer until its completion.

Business Environment

MTFG s results of operations and financial condition are exposed to changes in various external economic factors, including:

- general economic conditions;

- interest rates;
- currency exchange rates; and
- stock and real estate prices.

With respect to the financial and economic environment for the six months ended September 30, 2004, overseas economies moved toward recovery in the early part of this period, particularly in the United States where the recovery was driven by large-scale tax cuts, and in China where domestic demand continued to expand. In the latter part of this period, however, a certain degree of uncertainty prevailed in overseas economies as the positive effects of the tax cuts in the United States began to wane, as China began to restrain investments and as crude oil prices rose sharply.

Table of Contents

In the Japanese economy, exports and capital expenditures rose due to increased overseas demand in the early part of the current period. Private consumption also steadily increased due to an improvement in consumer confidence. Nevertheless, the Japanese economy began slowing down in the latter part of the six months ended September 30, 2004 period and consumer prices continued to decline.

Regarding the interest rate 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 by 0.25% in each of June, August, September, November and December 2004, and by another 0.25% in each of February and March 2005 from 1.0% 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 yield on ten-year Japanese government bonds which was approximately 1.5% in April 2004, rose temporarily to approximately 1.9% in June and July, before declining to approximately 1.4% in September 2004. As of mid-April 2005, the yield was around 1.3%. The following chart shows the interest rate trends in Japan since January 1999:

Source: Bank of Japan

The Japanese stock markets weakened slightly during the six months ended September 30, 2004 period. The Nikkei Stock Average, which is an average of 225 blue chip stocks listed on the Tokyo Stock Exchange, declined from ¥11,715.39 at March 31, 2004 to ¥10,823.57 at September 30, 2004. As of mid-April 2005, the Nikkei Stock Average was around ¥11,600.

In the foreign exchange markets, although the yen initially depreciated against the U.S. dollar mainly due to the rise in the U.S. federal funds rate, the exchange rate subsequently stabilized and remained within a narrow range. The noon buying rates of the Federal Reserve Bank of New York for yen were ¥104.18 per $1.00 at March 31, 2004 and ¥110.20 per $1.00 at September 30, 2004. Between October 2004 and mid-April 2005, the yen generally appreciated against the U.S. dollar. The noon buying rate of the Federal Reserve Bank of New York was ¥107.65 per $1.00 at April 15, 2005.

The number of corporate bankruptcy filings in Japan during the six months ended September 30, 2004 was approximately 7,000 representing an 18% decline compared with the corresponding period in the previous fiscal year.

Table of Contents

Critical Accounting Estimates

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

Allowance for Credit Losses

The allowance for credit losses represents management s estimate of probable losses in MTFG s loan portfolio. The evaluation process involves a number of estimates and judgments. The allowance is based on two principles of accounting: (1) Statement of Financial Accounting Standards, or SFAS, No. 5, Accounting for Contingencies, which requires that losses be accrued when they are probable of occurring and can be estimated; and (2) SFAS No. 114, Accounting by Creditors for Impairment of a Loan and SFAS No. 118, Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures, which require that losses be accrued based on the difference between the present value of expected future cash flows discounted at the loan s effective interest rate, the fair value of collateral or the loan s value that is observable in the secondary market and the loan balance.

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

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

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

The allowance for loans exposed to specific country risk is based on an estimate of probable losses relating to MTFG s exposure to countries that MTFG identifies as having a high degree of transfer risk. MTFG uses a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, MTFG considers the instability of foreign currency and difficulties regarding its borrowers ability to service their debt.

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

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

Table of Contents

In addition to the allowance for credit losses on its loan portfolio, MTFG 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. With regard to the allocated allowance for specifically identified credit exposure and the allocated formula allowance, MTFG applies the same methodology that it uses in determining the allowance for loan credit losses.

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

Impairment of Investment Securities

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

Debt and marketable equity securities. In determining whether a decline in fair value is other than temporary for a particular security, indicators of an other-than-temporary decline for both debt and marketable equity securities include the extent of decline in fair value below cost and the length of time that the decline has continued. If a decline in fair value is 20% or more or a decline in fair value has continued for six months or more, MTFG generally deems such decline as an indicator of other-than-temporary decline. MTFG also considers the financial condition and near-term prospects of issuers primarily based on the credit standing of the issuers as determined by its credit rating system.

Prior to the fiscal year ended March 31, 2004, MTFG did not take the lengths of time that a decline continued into consideration with respect to debt securities because a substantial majority of its investments in debt securities are in high-grade fixed-rate bonds, including sovereign bonds such as U.S. treasury bonds and it generally had the intent to hold such investments for a period longer than that inherent in cyclical short-term market price fluctuations due to market interest rate and foreign exchange rate changes. However, in light of the recent decline in the bond market, which made it difficult for MTFG to hold debt securities for a period longer than that necessary for recovery, during the fiscal year ended March 31, 2004, MTFG determined that the length of period that a decline in fair value continued should be considered in identifying other-than temporary decline in fair value of debt securities. The aggregate amount of unrealized losses at March 31, 2004 and September 30, 2004 that MTFG determined to be temporary were ¥54,707 million and ¥36,366 million, respectively.

The determination of other-than-temporary impairment for certain securities held by UnionBanCal Corporation, MTFG s U.S. subsidiary, which primarily consists of securities backed by the full faith and credit of the U.S. government and corporate asset-backed and debt securities, are made on the basis of a cash flow analysis of securities and/or the ability of UnionBanCal Corporation to hold such securities to maturity.

Non-marketable equity securities. MTFG considers the credit standing of issuers and the extent of decline in net assets of issuers to determine whether the decline is other than temporary. When MTFG determines that the decline is other than temporary, non-marketable equity securities are written down to MTFG s share of the amount of the issuer s net assets, which approximates fair value.

The markets for equity securities and debt securities are inherently volatile, and the values of both types of securities have fluctuated significantly in recent years. Accordingly, MTFG s assessment of potential impairment involves risks and uncertainties depending on the market condition. If MTFG later concludes that a decline is other than temporary, the impairment loss may significantly affect its operating results and financial condition in future periods.

Valuation of Deferred Tax Assets

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

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

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

Because the establishment of the valuation allowance is an inherently uncertain process involving estimates, currently established allowance may not be sufficient. If the estimated allowance is not sufficient, MTFG will incur additional deferred tax expenses, which could materially affect its operating results and financial condition in future periods.

Accounting for Goodwill

U.S. GAAP requires MTFG to test goodwill for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit of its business, which is to be compared with the carrying amount of the unit, to identify potential impairment of goodwill. The fair value of a reporting unit is defined as the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. Since an observable quoted market price for units is not always available, the estimate of fair value is based on the best information available, including prices for comparable units and the results of using other valuation techniques including the present value technique, which requires an estimate of future cash flows and other assumptions. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss. This test requires comparison of the implied fair value of the unit s goodwill with the carrying amount of that goodwill. The estimate of the implied fair value of the reporting unit s goodwill requires MTFG to allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including unrecognized intangible assets, if any, since the implied fair value is determined as the excess of the fair value of a reporting unit over the net amounts assigned to its assets and liabilities in the allocation. Accordingly, the second step of the impairment test also requires an estimate of the fair value of individual assets and liabilities, including any unrecognized intangible assets that belong to that unit. At March 31, 2004 and September 30, 2004, MTFG had goodwill of ¥56,690 million and ¥69,468 million, respectively.

Accrued Severance Indemnities and Pension Liabilities

MTFG 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 its plan assets and rates of increase in future compensation levels. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods, and affect MTFG s recognized net periodic pension costs and accrued severance indemnities and pension obligations in future periods. MTFG had an unrecognized net actuarial loss for domestic severance indemnities and pension plans of ¥353.8 billion at

163

Table of Contents

March 31, 2004. Differences in actual experience or changes in assumptions may affect MTFG s financial condition and operating results in future periods.

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

In developing its assumptions for expected long-term rates of return, MTFG 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. MTFG also evaluates input from its actuaries, including their reviews of asset class return expectations.

Valuation of Financial Instruments with No Available Market Prices

Some assets and liabilities, including available-for-sale securities, trading accounts and derivatives, are reflected at their estimated fair values in MTFG s financial statements. Fair values for the substantial majority of MTFG s portfolio of financial instruments with no available market prices are determined based upon externally verifiable model inputs and quoted prices. All financial models, which are used for independent risk monitoring, must be validated and periodically reviewed by qualified personnel independent of the area that created the model. The fair value of derivatives is determined based upon liquid market prices evidenced by exchange-traded prices, broker-dealer quotations or prices of other transactions with similarly rated counterparties. If available, quoted market prices provide the best indication of value. If quoted market prices are not available for fixed maturity securities and derivatives, MTFG discounts expected cash flows using market interest rates commensurate with the credit quality and maturity of the investment. Alternatively, MTFG may use matrix or model pricing to determine an appropriate fair value. In determining fair values, MTFG considers various factors, including time value, volatility factors and underlying options, warrants and derivatives.

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

	At March 31,		At September 30,
	2003	2004	2004
		(in billions)	
Financial assets:			
Trading account assets, excluding derivatives	¥ 4,593	¥ 5,732	¥ 5,793
Investment securities	21,413	25,328	30,292
Derivative financial instruments, net	179	153	35
Financial liabilities:			
Trading account liabilities, excluding derivatives	179	182	197
Obligations to return securities received as collateral	950	2,322	2,635

A significant portion of trading account assets and liabilities, excluding derivatives, investment securities 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 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, which can be validated through external sources, including brokers and market transactions with third parties.

Table of Contents

Accounting Changes

Variable Interest Entities In January 2003, the Financial Accounting Standards Board, or the FASB, issued FASB Interpretation, or FIN, No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. FIN No. 46 addresses consolidation by business enterprises of variable interest entities, or VIEs. The consolidation requirements of FIN No. 46 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, or FIN No. 46R. FIN No. 46R modifies FIN No. 46 in certain respects including the scope exception, the definition of VIEs, and other factors that would affect the determination of VIEs and primary beneficiaries that 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, or the SEC, stated the SEC staff s position in a letter to the American Institute of Certified Public Accountants, or the 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 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 MTFG s assets and liabilities by ¥1,470,217 million and ¥1,472,093 million, respectively.

Derivative Instruments and Hedging Activities 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 MTFG 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 MTFG 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 MTFG s financial position and results of operations.

Table of Contents

Disclosure about Pension and Other Postretirement Benefit In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106, or SFAS No. 132R, which replaces existing FASB disclosure requirements for pensions. SFAS No. 132R requires disclosure of more details about plan assets, benefit obligations, cash flows, benefit costs and other relevant information. SFAS No. 132R is generally effective for the fiscal years ended after December 15, 2003, and for interim periods beginning after December 15, 2003. The required disclosure is presented in the footnotes to MTFG s financial statements as of March 31, 2003 and 2004 and the three years in the period ended March 31, 2004, and as of September 30, 2004 and for the six-month periods ended September 30, 2003 and 2004.

Impairment of Securities Investments In November 2003, the FASB Emerging Issues Task Force , or the EITF, reached a consensus on Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, or EITF 03-1. EITF 03-1 requires certain additional quantitative and qualitative disclosures in addition to the disclosures already required by SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The new disclosure requirements are applied to financial statements for the fiscal years ended after December 15, 2003. The required disclosure is presented in the footnotes to MTFG s financial statements as of March 31, 2003 and 2004 and the three years in the period ended March 31, 2004. 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 10-20 of EITF 03-1. The FASB will be issuing implementation guidance related to this topic. Once issued, MTFG will evaluate the impact of adopting EITF 03-1.

Recently Issued Accounting Pronouncements

Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities In January 2003, the EITF reached a consensus on Issue No. 03-2, Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities, or EITF 03-2, which was ratified by the FASB in February 2003. EITF 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of an employee pension fund and requires employers to account for the entire separation process of 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, Bank of Tokyo-Mitsubishi submitted to the government an application to transfer the obligation to pay benefits for future employee service related to the substitutional portion and the application was approved in August 2003. In August 2004, Bank of Tokyo-Mitsubishi 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 Bank of Tokyo-Mitsubishi 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 condensed consolidated financial statements of the transfer accounted for in accordance with EITF 03-2 is not known and cannot be reasonably estimated until the completion of the transfer.

Loans and Debt Securities Acquired in a Transfer In December 2003, the AICPA issued Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, or SOP 03-3, which supersedes AICPA Practice Bulletin 6, Amortization of Discounts on Certain Acquired Loans and addresses

Table of Contents

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. MTFG has not completed the study of what effect SOP 03-3 will have on MTFG s financial position and results of operations.

Share-Based Payment In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment, or SFAS No. 123R. SFAS No. 123R replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes 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 statements. SFAS No. 123R is effective as of the beginning of the interim or annual reporting periods beginning after June 15, 2005. MTFG has not completed the study of what effect SFAS No. 123R will have on MTFG s financial position and results of operations. See note 1 to MTFG s financial statements as of March 31, 2003 and 2004 and for the three years in the period ended March 31, 2004 and note 14 to MTFG s condensed consolidated financial statements as of September 30, 2004 and for the six-month periods ended September 30, 2003 and 2004, included elsewhere in this prospectus, 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. MTFG has not completed the study of what effect SFAS No. 153 will have on MTFG s financial position and results of operations.

Table of Contents

Results of Operations

The following table sets forth a summary of MTFG s results of operations for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2003 and 2004. As discussed in Recent Developments Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM above, MTFG s results of operations for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2003 have been adjusted.

	Fiscal years ended March 31,			Six months ended September 30,	
	2002	2003	2004	2003	2004
			(in billions)		
Interest income	¥ 2,013.5	¥ 1,582.5	¥ 1,421.8	¥ 744.9	¥ 695.5
Interest expense	938.2	539.2	426.5	226.5	215.6
Net interest income	1,075.3	1,043.3	995.3	518.4	479.9
Provision (credit) for credit losses	598.4	438.0	(114.1)	(129.6)	167.1
Non-interest income	359.7	840.6	1,308.1	713.3	427.4
Non-interest expense	1,161.3	1,182.4	1,236.1	582.0	538.4
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	(324.7)	263.5	1,181.4	779.3	201.8
Income tax expense (benefit)	(99.7)	69.9	357.8	255.4	69.4
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(225.0)	193.6	823.6	523.9	132.4
Income (loss) from discontinued operations net	1.2	10.3	(0.6)	5.3	
Cumulative effect of a change in accounting principle, net of tax	5.9	(0.5)			(1.0)
Net income (loss)	¥ (217.9)	¥ 203.4	¥ 823.0	¥ 529.2	¥ 131.4

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

Net income for the six months ended September 30, 2004 was ¥131.4 billion, a decrease of ¥397.8 billion, or 75.2%, from ¥529.2 billion for the six months ended September 30, 2003. MTFG s basic earnings per common share (net income available to common shareholders) for the six months ended September 30, 2004 was ¥19,700.46, a decrease of ¥64,181.80, from ¥83,882.26 for the six months ended September 30, 2003. Income from continuing operations before income taxes and cumulative effect of a change in accounting principle for the six months ended September 30, 2004 was ¥201.8 billion, a decrease of ¥577.5 billion, or 74.1%, from ¥779.3 billion for the six months ended September 30, 2003. These changes in MTFG s operating results were primarily attributable to the following:

- A provision for credit losses of ¥167.1 billion was recorded for the six months ended September 30, 2004, compared with the reversal of allowance for credit losses of ¥129.6 billion for the six months ended September 30, 2003. This change in the provision (credit) for credit losses was due mainly to a significant decrease in MTFG s specific allowance for nonperforming loans in the six months ended September 30, 2003, which did not occur in the six months ended September 30, 2004, and to an increase in MTFG s specific allowance for nonperforming loans in the six months ended September 30, 2004 as a result of credit downgrades for several borrowers to which MTFG extended relatively large amounts of loans.

- Non-interest income decreased ¥285.9 billion, or 40.1%, from ¥713.3 billion for the six months ended September 30, 2003 to ¥427.4 billion for the six months ended September 30, 2004. This decrease was primarily because net foreign exchange losses of ¥164.2 billion were recorded for the six months ended

September 30, 2004, compared with net foreign exchange gains of ¥259.7 billion for the six months ended September 30, 2003. This change in foreign exchange transactions mainly reflected the depreciation of the Japanese yen against foreign currencies during the six months ended September 30, 2004, compared to the six months ended September 30, 2003, when the yen appreciated against foreign currencies. This decrease was partially offset by an increase of ¥50.7 billion in other non-interest income and an increase of ¥47.8 billion in net investment securities gains and an increase of ¥45.0 billion in fees and commissions.

- Net interest income decreased ¥38.5 billion, or 7.4%, from ¥518.4 billion for the six months ended September 30, 2003 to ¥479.9 billion for the six months ended September 30, 2004. This decrease was primarily due to a decline in the average interest rate spread. In addition, a decrease in average foreign investment securities, which earn relatively higher yields, was a factor in the decrease in MTFG s net interest income.

These unfavorable changes were partially offset by a decrease of ¥43.6 billion in non-interest expenses from ¥582.0 billion for the six months ended September 30, 2003 to ¥538.4 billion for the six months ended September 30, 2004 mainly due to the decrease in other non-interest expenses, principally reflecting a decrease in provision for off-balance-sheet credit instruments caused by a decrease in off-balance-sheet credit exposure.

MTFG s results of operation may be affected by external and unpredictable events, including the unexpected failure of borrowers, defaults in emerging markets and financial and stock market volatility. Accordingly, the interim results are not necessarily indicative of the results for the full fiscal year.

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

MTFG reported ¥823.0 billion of net income for the fiscal year ended March 31, 2004, compared to ¥203.4 billion of net income for the fiscal year ended March 31, 2003. MTFG s basic earnings per common share (net income available to common shareholders) for the fiscal year ended March 31, 2004 was ¥128,350.88 compared to an earnings per share of ¥33,991.75 for the fiscal year ended March 31, 2003. Income from continuing operations before income tax expense and cumulative effect of a change in accounting principle for the fiscal year ended March 31, 2004 was ¥1,181.4 billion, compared with ¥263.5 billion for the fiscal year ended March 31, 2003. The changes in MTFG s operating results were primarily attributable to the following:

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

- Non-interest income increased ¥467.5 billion from ¥840.6 billion for the fiscal year ended March 31, 2003 to ¥1,308.1 billion for the fiscal year ended March 31, 2004. This increase was primarily attributable to an increase of ¥388.3 billion in net foreign exchange gains reflecting the appreciation of the yen against foreign currencies, and to net investment securities gains of ¥118.6 billion compared to net investment securities losses of ¥22.7 billion for the fiscal year ended March 31, 2003 mainly due to the improvement in the Japanese stock market. Refund of local taxes by the Tokyo Metropolitan Government also contributed to the increase in non-interest income. These increases were partially offset by a decrease of ¥163.7 billion in net trading account profits, primarily due to the rise in long-term interest rates in Japan.

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

169

Table of Contents

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.

MTFG s net interest income for the fiscal years ended March 31, 2002, 2003 and 2004 and for the six months ended September 30, 2003 and 2004 were not materially affected by gains or losses resulting from derivative financial instruments used for hedging purposes.

The following is a summary of the interest rate spread for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2003 and 2004. As discussed in Recent Developments Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM above, the information for the fiscal years ended March 31, 2002, 2003 and 2004 and for the six months ended September 30, 2003 has been adjusted.

	Fiscal years ended March 31,						Six months ended September 30,			
	2002		2003		2004		2003		2004	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate (Annualized)	Average balance	Average rate (Annualized)
	(in billions, except percentages)						(in billions, except percentages)			
Interest-earning assets:										
Domestic	¥ 59,665.2	1.36%	¥ 62,605.1	1.19%	¥ 67,524.8	1.06%	¥ 65,832.0	1.14%	¥ 74,211.8	1.01%
Foreign	25,362.6	4.73	23,641.9	3.55	23,325.8	3.03	24,207.3	3.04	22,648.3	2.81
Total	¥ 85,027.8	2.37%	¥ 86,247.0	1.83%	¥ 90,850.6	1.56%	¥ 90,039.3	1.65%	¥ 96,860.1	1.43%
Financed by:										
Interest-bearing funds:										
Domestic	¥ 61,089.7	0.53%	¥ 64,827.9	0.34%	¥ 70,151.1	0.31%	¥ 68,558.0	0.31%	¥ 75,097.7	0.32%
Foreign	17,593.5	3.50	14,830.5	2.13	14,823.9	1.41	15,296.2	1.56	14,474.4	1.32
Total	78,683.2	1.19	79,658.4	0.68	84,975.0	0.50	83,854.2	0.54	89,572.1	0.48
Non-interest-bearing funds	6,344.6		6,588.6		5,875.6		6,185.1		7,288.0	

Total	¥ 85,027.8	1.11%	¥ 86,247.0	0.62%	¥ 90,850.6	0.46%	¥ 90,039.3	0.50%	¥ 96,860.1	0.44%
Spread on:										
Interest-bearing funds		1.18%		1.15%		1.06%		1.11%		0.95%
Total funds		1.26%		1.21%		1.10%		1.15%		0.99%

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

Net interest income for the six months ended September 30, 2004 was ¥479.9 billion, a decrease of ¥38.5 billion, or 7.4%, from ¥518.4 billion for the six months ended September 30, 2003.

This decrease was due primarily to a decline in the average interest rate spread. In addition, the decrease in average foreign investment securities, which earn relatively higher yields, was a factor in the decrease in net interest income.

The average interest rate spread decreased 16 basis points from 1.11% for the six months ended September 30, 2003 to 0.95% for the six months ended September 30, 2004. The average rate of both foreign interest-earning assets and foreign interest-bearing liabilities declined during the six months ended September 30, 2004. Since the average balance of foreign interest-earning assets for the six months ended September 30, 2004 was

170

Table of Contents

about 1.6 times larger than the average balance of foreign interest-bearing liabilities for the same period, the decline in the average rate had a negative effect on MTFG s net interest income.

Net interest income as a percentage of average total funds decreased 16 basis points from 1.15% for the six months ended September 30, 2003 to 0.99% for the six months ended September 30, 2004.

Average interest-earning assets for the six months ended September 30, 2004 were ¥96,860.1 billion, an increase of ¥6,820.8 billion, or 7.6%, from ¥90,039.3 billion for the six months ended September 30, 2003. The increase was primarily attributable to an increase of ¥5,552.6 billion in domestic investment securities, which reflected an increase in MTFG s holdings of Japanese government bonds, and an increase of ¥2,630.5 billion in domestic loans. The increase in domestic loans was primarily due to an increase in loans to industries such as manufacturing, wholesale and retail, and banks and other financial institutions, reflecting the consolidation of certain VIEs in accordance with FIN No. 46R. These increases were partially offset by a decrease of ¥356.3 billion in trading account assets and a decrease of ¥232.1 billion in interest-earning deposits in other banks.

Average interest-bearing liabilities for the six months ended September 30, 2004 were ¥89,572.1 billion, an increase of ¥5,717.9 billion, or 6.8%, from ¥83,854.2 billion for the six months ended September 30, 2003. The increase in average interest-bearing liabilities primarily reflected an increase of ¥5,322.2 billion in other short-term borrowings, and trading account liabilities, reflecting an increase of funding from the Bank of Japan in connection with its daily money market operations, and an increase in commercial paper issued by VIEs consolidated in accordance with FIN No. 46R. In addition, an increase of ¥1,112.4 billion in deposits contributed to the increase in average interest-bearing liabilities. These increases were partially offset by a decrease of ¥461.8 billion in debentures, as previously outstanding debentures matured and because MTFG has stopped issuing new debentures since April 2002.

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

Net interest income for the fiscal year ended March 31, 2004 was ¥995.3 billion, a decrease of ¥48.0 billion, or 4.6%, from ¥1,043.3 billion for the fiscal year ended March 31, 2003. This decrease was due primarily to a decline in the average interest rate spread. In addition, a decrease in average foreign loans, which earn relatively higher yields, contributed to the decrease in net interest income.

The average interest rate spread decreased 9 basis points from 1.15% for the fiscal year ended March 31, 2003 to 1.06% for the fiscal year ended March 31, 2004. The average rate of both the foreign interest-earning assets and foreign interest-bearing liabilities declined during the fiscal year ended March 31, 2004, primarily due to the decline in short-term interest rates in most foreign markets. Since the average balance of foreign interest-earning assets for the fiscal year ended March 31, 2004 was about 1.6 times larger than the average balance of foreign interest-bearing liabilities for the same period, the decline in the average rate had a negative effect on MTFG s net interest income.

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

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

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

Table of Contents

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

Net interest income for the fiscal year ended March 31, 2003 was ¥1,043.3 billion, a decrease of ¥32.0 billion, or 3.0%, from ¥1,075.3 billion for the fiscal year ended March 31, 2002. This decrease was due primarily to a decline in the average interest rate spread in the further declining interest rate environment. The decline in interest rate spread more than offset the impact of a net increase in average interest-earning assets.

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

Average interest-earning assets for the fiscal year ended March 31, 2003 was ¥86,247.0 billion, an increase of ¥1,219.2 billion, or 1.4%, from ¥85,027.8 billion for the fiscal year ended March 31,2002. This increase was principally attributable to an increase of ¥2,706.7 billion in average investment securities, partially offset by decreases in average interest-earning deposits, average call loans, funds sold, and receivables under resale agreements and securities borrowing transactions. The increase in average investment securities was attributable primarily to increases in Japanese government and foreign bonds, including U.S. treasury bonds, and reflected few viable investment options due to the extremely low rates of return in Japan. The average of interest-bearing liabilities for the fiscal year ended March 31, 2003 was ¥79,658.4 billion, an increase of ¥975.2 billion, or 1.2%, from ¥78,683.2 billion for the fiscal year ended March 31, 2002. This increase was principally attributable to an increase in average domestic deposits, which was primarily comprised of average demand deposits, partly offset by a decrease in average debentures and a decrease in average short-term funds in money markets, such as call money and funds purchased, and payables under repurchase agreements.

Provision (Credit) for Credit Losses

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

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

Provision for credit losses of ¥167.1 billion was recorded for the six months ended September 30, 2004, compared with a reversal of allowance for credit losses of ¥129.6 billion for the six months ended September 30, 2003. This change in the provision (credit) for credit losses is due mainly to a significant decrease in MTFG s specific allowance for nonperforming loans in the six months ended September 30, 2003, which did not occur in the six months ended September 30, 2004, and to an increase in MTFG s specific allowance for nonperforming loans in the six months ended September 30, 2004 as a result of credit downgrades for several borrowers to which MTFG extended relatively large amounts of loans. For a further discussion of the allowance for credit losses, see Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

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

A reversal of allowance for credit losses of ¥114.1 billion was recorded for the fiscal year ended March 31, 2004, compared with a provision for credit losses of ¥438.0 billion for the fiscal year ended March 31, 2003. This change was due mainly to a decrease in MTFG s specific allowance as a result of its reduction of nonperforming loans and a decrease in its formula allowance reflecting a decline in loans classified as special mention or substandard. For a further discussion of the allowance for credit losses, see Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

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

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

Table of Contents

Non-Interest Income

The following table is a summary of MTFG s non-interest income for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2003 and 2004. As discussed in Recent Developments Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM above, MTFG s non-interest income for the fiscal years ended March 31, 2002, 2003 and 2004 and for the six months ended September 30, 2003 has been adjusted.

	Fiscal years ended March 31,			Six months ended September 30,	
	2002*	2003*	2004	2003*	2004
			(in billions)		
Fees and commissions:					
Trust fees	¥ 123.6	¥ 103.8	¥ 90.0	¥ 42.8	¥ 54.3
Fees on funds transfer and service charges for collections	58.1	58.1	59.8	27.9	34.1
Fees and commissions on international business	53.5	54.5	53.8	28.0	21.6
Fees and commissions on credit card business	45.0	57.1	60.5	29.2	30.3
Service charges on deposits	29.8	34.6	36.2	17.9	18.6
Fees and commissions on securities business	52.7	68.0	99.0	47.4	67.8
Other fees and commissions	123.3	144.7	173.4	74.3	85.8
Total	486.0	520.8	572.7	267.5	312.5
Foreign exchange gains (losses) net	(333.0)	25.6	413.9	259.7	(164.2)
Trading account profits net	138.5	267.6	103.9	17.8	12.3
Investment securities gains (losses) net	6.8	(22.7)	118.6	148.9	196.7
Refund of the local taxes by the Tokyo Metropolitan Government			42.0		
Other non-interest income	61.4	49.3	57.0	19.4	70.1
Total non-interest income	¥ 359.7	¥ 840.6	¥ 1,308.1	¥ 713.3	¥ 427.4

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

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

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

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

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 ¥427.4 billion, a decrease of ¥285.9 billion, or 40.1%, from ¥713.3 billion for the six months ended September 30, 2003. This decrease was primarily attributable to a change of ¥423.9 billion in net foreign exchange gains (losses), from a gain of ¥259.7 billion for the six months ended September 30, 2003 to a loss of ¥164.2 billion for the six months ended September 30, 2004. This change was partially offset by an increase of ¥50.7 billion in other non-interest income, an increase of ¥47.8 billion in net investment securities gains and an increase of ¥45.0 billion in fees and commissions.

Fees and commissions for the six months ended September 30, 2004 increased ¥45.0 billion, or 16.8%, from ¥267.5 billion for the six months ended September 30, 2003. This increase primarily reflected an increase of ¥20.4 billion in fees and commissions on securities business, of which ¥12 billion was due to an increase in fees earned by Mitsubishi Securities. This increase was mainly due to an increase in commissions in brokerage, underwriting and distribution. These increases were in line with increased trading volume in the Japanese stock market and an increase in equity offerings in Japan during the same period. Other commissions at Mitsubishi Securities increased due to an increase in fees related to investment trusts and an increase in arrangement fees on securitization transactions. Other contributing factors to the increase in fees and commissions were an increase of ¥11.5 billion in trust fees, and an increase of ¥11.5 billion in other fees and commissions, which include expanding fee businesses such as agency fees earned upon the sales of annuities to individual customers at branches of MTFG s bank subsidiary that act as sales agents for insurance companies.

Net foreign exchange losses of ¥164.2 billion were recorded for the six months ended September 30, 2004, compared with net foreign exchange gains of ¥259.7 billion for the six months ended September 30, 2003. This change was mainly due to an increase in transaction losses on translation of monetary liabilities denominated in foreign currencies due to the depreciation of the Japanese yen against foreign currencies during the six months ended September 30, 2004, while the yen appreciated against foreign currencies during the six months ended September 30, 2003.

Net trading account profits for the six months ended September 30, 2004 were ¥12.3 billion, a decrease of ¥5.5 billion, or 30.7%, from ¥17.8 billion for the six months ended September 30, 2003. Net trading account profits for the six months ended September 30, 2003 and 2004 consisted of the following:

	Six months ended September 30,	
	2003	**2004**
	(in billions)	
Net profits (losses) on derivative instruments, primarily interest rate futures, swaps and options	¥ (37.0)	¥ 9.6
Net profits on trading securities	54.8	2.7
Trading account profits net	¥ 17.8	¥ 12.3

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

For the six months ended September 30, 2004, MTFG generally maintained net receive-fix and pay-variable positions in its interest rate swap portfolios for the purpose of managing interest rate risks on domestic deposits. MTFG s interest rate swap positions resulted in an increase of ¥46.6 billion in net profits on derivative instruments in the declining long-term interest rate environment toward the end of the interim period, although the long-term interest rate soared temporarily during the period.

However, a decrease of ¥52.1 billion in net profits on trading securities, which primarily reflected the decrease in trading profits in bonds and equities at Mitsubishi Securities, more than offset an increase of ¥46.6

174

billion in net profits on derivative instruments, resulting in a decrease in net trading account profits compared to the previous interim period.

Net investment securities gains for the six months ended September 30, 2004 were ¥196.7 billion, an increase of ¥47.8 billion, or 32.1%, from ¥148.9 billion for the six months ended September 30, 2003. Major components of 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 marketable equity securities	¥ 136.2	¥ 174.7
Impairment losses on marketable equity securities	(6.3)	(14.1)
Other net, principally gains on sales of debt securities	19.0	36.1
Investment securities gains net	¥ 148.9	¥ 196.7

The increase in net investment securities gains during the six months ended September 30, 2004 was due primarily to an increase of ¥38.5 billion in net gains on sales of marketable equity securities. This increase primarily reflected the fact that, compared to the previous six months ended September 30, 2003, MTFG sold equity shareholdings which were held at a cost significantly lower than the prevailing market price, resulting in an increase in its gains on sales of its equity shareholdings.

Other non-interest income for the six months ended September 30, 2004 was ¥70.1 billion, an increase of ¥50.7 billion, or 261.8%, from ¥19.4 billion for the six months ended September 30, 2003. The increase for the six months ended September 30, 2004 reflected, among other items, a ¥10.1 billion gain on the sale of a merchant card portfolio at UnionBanCal Corporation, a ¥7.6 billion increase in equity in earnings of affiliated companies mainly due to MTFG s investment in ACOM, and an ¥8.0 billion net gains on sale of premises and equipment. During the six months ended September 30, 2003, MTFG recorded a ¥2.7 billion net loss on sales of premises and equipment, which was included in other non-interest expenses.

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 ¥1,308.1 billion, an increase of ¥467.5 billion, or 55.6%, from ¥840.6 billion for the fiscal year ended March 31, 2003. This increase was primarily attributable to an increase in net foreign exchange gains of ¥388.3 billion and an increase in net investment securities gains of ¥141.3 billion. These gains were partially offset by a decrease in net trading account profits of ¥163.7 billion.

Fees and commissions for the fiscal year ended March 31, 2004 increased ¥51.9 billion from the previous fiscal year. This increase primarily reflected an increase in fees and commissions on securities business, of which ¥26.5 billion was due to an increase in fees earned by Mitsubishi Securities. This increase was mainly because only seven months of fees and commissions generated by Mitsubishi Securities were recorded for the previous fiscal year, while its fees and commissions for twelve months were recorded for the fiscal year ended March 31, 2004. In addition, fees and commissions on securities business in Mitsubishi Securities increased for the fiscal year ended March 31, 2004, primarily due to an increase in equity-related commissions, which was in line with increased trading volume of the Japanese stock markets in general during the same period. Other factors contributing to the increase in other fees and commissions included expanding fee businesses such as agency fees earned on the sale of annuities to individual customers at branches of MTFG s subsidiary banks which act as sales agents for insurance companies, and fees from investment banking activities in MTFG s subsidiary banks. These increases were partially offset by a decrease in trust fees of ¥13.8 billion, which resulted primarily due to a decrease in fee income earned on loan trust.

Table of Contents

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

	Fiscal years ended March 31,	
	2003	2004
	(in billions)	
Net profits (losses) on derivative instruments, primarily interest-rate futures, swaps and options	¥ 254.9	¥ (2.0)
Net profits on trading securities	12.7	105.9
Net trading account profits	¥ 267.6	¥ 103.9

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

For the fiscal year ended March 31, 2004, MTFG generally maintained net receive-fix and pay-variable positions in its interest rate swap portfolios for the purpose of managing interest rate risks on domestic deposits, and its interest rate swap positions resulted in losses in value in a rising Japanese long-term interest rate environment during the fiscal year ended March 31, 2004. The decrease in net profits on derivative instruments of ¥256.9 billion was partially offset by an increase in net profits on trading securities of ¥93.2 billion, primarily reflecting improved performance of trading in debt and equity securities at Mitsubishi Securities supported by high interest rate volatility and improvements in the Japanese stock markets during the fiscal year ended March 31, 2004.

Net foreign exchange gains for the fiscal year ended March 31, 2004 were ¥413.9 billion, an increase of ¥388.3 billion from ¥25.6 billion for the fiscal year ended March 31, 2003. The increase in net foreign exchange gains primarily reflected an increase in transaction gains on translation of monetary liabilities denominated in foreign currencies due to the appreciation of the yen. All transaction gains or losses on translation of monetary liabilities denominated in foreign currencies are included in current earnings. However, the transaction gains or losses on translation of securities available for sale, such as bonds denominated in foreign currencies, are not included in current earnings but are reflected in other changes in equity from nonowner sources.

Net investment securities gains for the fiscal year ended March 31, 2004 were ¥118.6 billion, an increase of ¥141.3 billion, from a loss of ¥22.7 billion for the fiscal year ended March 31, 2003. Major components of net investment securities gains for the fiscal years ended March 31, 2003 and 2004 are summarized below:

	Fiscal years ended March 31,	
	2003	2004

	(in billions)	
Net gains on sales of marketable equity securities	¥ 169.4	¥ 371.2
Impairment losses on marketable equity securities	(352.4)	(15.4)
Other net, principally gains (losses) on debt securities	160.3	(237.2)
Net investment securities gains (losses)	¥ (22.7)	¥ 118.6

The increase in net investment securities gains during the fiscal year ended March 31, 2004 reflected the improvement in the Japanese stock market, as net gains on sales of marketable equity securities increased and impairment losses on marketable equity securities decreased compared to the previous fiscal year. These gains

Table of Contents

were partially offset by losses on debt securities, which were mainly due to impairment losses on Japanese government bonds, reflecting the rise in long-term interest rates in Japan.

Non-interest income also increased due to the refund of the local taxes by the Tokyo Metropolitan Government of ¥42.0 billion in October 2003.

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

Non-interest income for the fiscal year ended March 31, 2003 was ¥840.6 billion, an increase of ¥480.9 billion, or 133.7%, from ¥359.7 billion for the fiscal year ended March 31, 2002. This increase was attributable to an increase in fees and commissions of ¥34.8 billion, net foreign exchange gains of ¥25.6 billion compared to net foreign exchange losses of ¥333.0 billion for the fiscal year ended March 31, 2002, and an increase in net trading account profits of ¥129.1 billion.

Fees and commissions for the fiscal year ended March 31, 2003 were ¥520.8 billion, an increase of ¥34.8 billion, or 7.2%, from ¥486.0 billion for the fiscal year ended March 31, 2002. This increase primarily reflected an increase of ¥21.4 billion in other fees and commissions and an increase of ¥15.3 billion in fees and commissions on securities business. In other fees and commissions for the fiscal year ended March 31, 2003, ¥2.8 billion in fees and commissions were newly earned in connection with MTFG s insurance brokerage activities. An increase of ¥3.4 billion in fees and commissions at UnionBanCal Corporation also contributed to the increase in other fees and commissions. Fees and commissions on securities business for the fiscal year ended March 31, 2003 included ¥19.4 billion of fees and commissions of Mitsubishi Securities, which became MTFG s consolidated subsidiary on September 1, 2002. These increases were partly offset by a decrease of ¥19.8 billion, or 16.0%, in trust fees. The decrease in trust fees primarily reflected a decrease in fee income for administration services as a result of the transfer of certain trust assets to The Master Trust Bank of Japan, Ltd., an equity investee, in May 2002.

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

	Fiscal years ended March 31,	
	2002	**2003**
	(in billions)	
Net profits on derivative instruments, primarily interest-rate futures, swaps and options	¥ 149.3	¥ 254.9
Net profits (losses) on trading securities	(10.8)	12.7
Net trading account profits	¥ 138.5	¥ 267.6

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

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

Net foreign exchange gains for the fiscal year ended March 31, 2003 were ¥25.6 billion, compared to net foreign exchange losses of ¥333.0 billion for the fiscal year ended March 31, 2002. Transaction gains on

Table of Contents

translation of foreign currency long-term debt for the fiscal year ended March 31, 2003 reflected primarily the appreciation of the yen against the U.S. dollar and other foreign currencies. MTFG had net losses on foreign exchange contracts entered into for trading purposes for the fiscal year ended March 31, 2003 due to the unfavorable foreign exchange markets. Other foreign exchange net gains for the fiscal year ended March 31, 2003 reflected transaction gains on translation of foreign currency-denominated borrowings used to manage the foreign currency exposure of available-for-sale debt securities. This increase was due primarily to the appreciation of the yen against the U.S. dollar and other foreign currencies while transaction losses on translation of foreign currency-denominated available-for-sale debt securities were recorded in other changes in equity from nonowner sources.

Net investment securities losses for the fiscal year ended March 31, 2003 were ¥22.7 billion, compared to net gains of ¥6.8 billion for the fiscal year ended March 31, 2002. Major components of net investment securities gains (losses) for the fiscal years ended March 31, 2002 and 2003 are summarized below:

	Fiscal years ended March 31,	
	2002	**2003**
	(in billions)	
Net gains on sales of marketable equity securities	¥ 263.4	¥ 169.4
Impairment losses on marketable equity securities	(281.0)	(352.4)
Other net gains	24.4	160.3
Net investment securities gains (losses)	¥ 6.8	¥ (22.7)

Pursuant to the legislation forbidding banks, including MTFG s Japanese subsidiary banks, from holding stocks with aggregate market values less unrealized gains in excess of their Tier I capital after September 30, 2004, a date which was later extended to September 30, 2006, MTFG actively sold its marketable equity securities. The decrease in net gains on sales of marketable equity securities reflected further declining stock market prices during the fiscal year ended March 31, 2003. In addition to sales in the stock markets, in the fiscal year ended March 31, 2003, MTFG sold marketable equity securities to the Bank s Shareholdings Purchase Corporation and the Bank of Japan and through exchange traded funds.

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

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

Other non-interest income decreased ¥12.1 billion, or 19.7%, from ¥61.4 billion for the fiscal year ended March 31, 2002 to ¥49.3 billion for the fiscal year ended March 31, 2003. Other non-interest income was primarily comprised of income from the lease of software, net gains on sales of various assets, including software and other dividend income. The decrease for the fiscal year ended March 31, 2003 reflected several small decreases in these components.

178

Non-Interest Expense

The following table shows a summary of MTFG s non-interest expense for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2003 and 2004. As discussed in Recent Developments Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM above, MTFG s non-interest expense for the fiscal years ended March 31, 2002, 2003 and 2004 and for the six months ended September 30, 2003 have been adjusted.

	Fiscal years ended March 31,			Six months ended September 30,	
	2002*	**2003***	**2004**	**2003**	**2004**
		(in billions)			
Salaries and employee benefits	¥ 456.0	¥ 498.5	¥ 506.7	¥ 252.6	¥ 238.9
Occupancy expenses net	134.7	121.0	120.5	59.5	60.4
Losses (gains) on other real estate owned	6.2	0.3	(0.6)		
Goodwill amortization	7.9				
Fees and commission expenses	72.2	77.2	80.3	43.8	42.1
Amortization of intangible assets	36.9	46.5	63.6	29.8	33.7
Insurance premiums, including deposit insurance	43.5	48.3	54.4	22.6	26.3
Minority interest in income of consolidated subsidiaries	21.5	2.9	42.4	14.2	15.8
Communications	21.3	22.0	27.6	13.1	14.2
Other non-interest expenses	361.1	365.7	341.2	146.4	107.0
Total non-interest expense	¥ 1,161.3	¥ 1,182.4	¥ 1,236.1	¥ 582.0	¥ 538.4

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

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

Non-interest expense for the six months ended September 30, 2004 was ¥538.4 billion, a decrease of ¥43.6 billion, or 7.5%, from ¥582.0 billion for the six months ended September 30, 2003. This decrease was primarily due to a ¥39.4 billion decrease in other non-interest expenses, principally reflecting a decrease in the provision for off-balance-sheet credit instruments caused by the decrease in off-balance-sheet exposure. In addition, a decrease of ¥13.7 billion in salaries and employee benefits contributed to the decrease in non-interest expense. The decrease in salaries and employee benefits was primarily due to a decrease in the net periodic pension cost. The reduction in the pension cost was the result of lower amortization charges, reflecting a decrease in the unrecognized net actuarial loss at the beginning of both periods. The decrease in the unrecognized net actuarial loss was mainly caused by an increase in the discount rate and in the actual return on plan assets.

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

Non-interest expense for the fiscal year ended March 31, 2004 was ¥1,236.1 billion, an increase of ¥53.7 billion from the previous fiscal year. This increase was primarily attributable to an increase in minority interest in income of consolidated subsidiaries of ¥39.5 billion. The increases in salaries and employee benefits, amortization of intangible assets and insurance premiums, including deposit insurance, also caused the increase in non-interest expense compared to the previous fiscal year.

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

Income Tax Expense (Benefit)

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

	Fiscal years ended March 31,			Six months ended September 30,	
	2002	**2003**	**2004**	**2003**	**2004**
	(in billions, except percentages)				
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle	¥ (324.7)	¥263.5	¥ 1,181.4	¥ 779.3	¥ 201.8
Income tax expense (benefit)	¥ (99.7)	¥ 69.9	¥ 357.8	¥ 255.4	¥ 69.4
Effective income tax rate	30.7%	26.5%	30.3%	32.8%	34.4%
Normal effective statutory tax rate	38.0%	39.9%	39.9%	39.9%	40.6%

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

The combined normal effective statutory tax rate was 39.9% and 40.6% for the six months ended September 30, 2003 and 2004, respectively. New local tax laws enacted in March 2003 for fiscal years beginning after March 31,2004 resulted in an increase of 0.7 percentage points in the combined normal effective statutory tax rate. For the six months ended September 30, 2004, the effective income tax rate was 34.4%, which was 6.2 percentage points lower than the statutory tax rate of 40.6%. The lower tax rate was due primarily to a decrease in the valuation allowance against deferred tax assets. The valuation allowance decreased ¥10.4 billion, from ¥133.8 billion at March 31, 2004 to ¥123.4 billion at September 30, 2004, as a result of achieving taxable income in the current interim period in excess of the projected current interim period taxable income at March 31, 2004, and improved expectations as to the ability to realize future tax benefits based on improved expectations as to taxable income in future periods.

Table of Contents

The lower effective income tax rate for the six months ended September 30, 2003 was due primarily to a decrease of ¥92.4 billion in the valuation allowance against deferred tax assets. The valuation allowance decreased as a result of achieving taxable income in the current interim period in excess of the projected current interim period taxable income at March 31, 2003 and improved expectations as to the ability to realize future tax benefits based on improved expectations as to taxable income in future periods.

Fiscal Years Ended March 31, 2004, 2003 and 2002

In September 2002, MTFG applied to the tax authorities for approval to file its national income tax returns based on the consolidated corporate-tax system starting from the fiscal year ended March 31, 2003, and received the approval in March 2003. The consolidated corporate-tax system allows companies to base tax payments on the combined profits or losses of a parent company and its wholly-owned domestic subsidiaries, and requires MTFG to pay, for the fiscal years ended March 31, 2003 and 2004, a surcharge tax of 2.0% of taxable income in addition to the national corporate income tax rate of 30.0% applied to separate tax returns filers. The increase in the normal effective statutory tax rate for the fiscal year ended March 31, 2003, resulted from this surcharge tax. This change in tax rate due to the adoption of the consolidated corporate-tax system resulted in a decrease of ¥37.5 billion in income tax expense for the fiscal year ended March 31, 2003 as a result of an increase in deferred tax assets.

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

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

Table of Contents

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

	Fiscal years ended March 31,		
	2002*	2003	2004
Combined normal effective statutory tax rate	38.0%	39.9%	39.9%
Reconciling items:			
Nondeductible expenses	2.9	4.1	0.1
Goodwill amortization	0.7		
Dividends from foreign subsidiaries	1.3	3.0	0.7
Foreign tax credit and payments	(1.9)	9.5	0.5
Higher (lower) tax rates applicable to income of subsidiaries	(2.6)	(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 a loss before income tax benefit was recorded in that fiscal year.

The effective income tax rate of 30.3% for the fiscal year ended March 31, 2004 was 9.6 percentage points lower than the normal effective statutory tax rate of 39.9%. This lower tax rate primarily reflected a decrease in the valuation allowance against deferred tax assets which accounted for 12.6 percentage points of the reconciliation above. The valuation allowance decreased ¥184.9 billion from ¥318.7 billion at March 31, 2003, to ¥133.8 billion at March 31, 2004, as a result of achieving taxable income for the fiscal year in excess of the amount previously projected at March 31, 2003 and improved realizability of future tax benefits based on increased expected taxable income in future periods.

The effective income tax rate of 26.5% for the fiscal year ended March 31, 2003 was 13.4 percentage points lower than the normal effective statutory tax rate of 39.9%. This lower tax rate primarily reflected an enacted change in tax rate and realization of previously unrecognized tax benefits of subsidiaries. The enacted change in tax rate resulted from the adoption of the consolidated corporate-tax system and the new uniform local taxes, which introduced value-added taxes as discussed above, and accounted for 28.4% in the reconciliation above. The realization of previously unrecognized tax benefits of subsidiaries primarily related to the liquidation of several of MTFG s domestic subsidiaries with accumulated losses and accounted for 15.7% in the reconciliation above.

Business Segment Analysis

MTFG measures the performance of each of its business segments in terms of operating profit in accordance with the regulatory reporting requirements of the Financial Services Agency of Japan. Operating profit and other segment information are based on Japanese GAAP and are not consistent with MTFG s financial statements prepared on the basis of U.S. GAAP. For example, operating profit under Japanese GAAP does not reflect items such as a portion of the provision (credit) for credit losses, foreign exchange gains (losses) and equity investment securities gains (losses).

Table of Contents

Effective April 1, 2004, MTFG implemented a new integrated business group system, which integrates the operations of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in the following three areas Retail, Corporate, and Trust Assets. Although this new measurement basis did not change the legal entities of MTFG, Bank of Tokyo-Mitsubishi, and Mitsubishi Trust Bank, it is intended to create more synergies by making collaboration between MTFG 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 the subsidiaries. Through this system, MTFG aims to reduce overlapping of functions within the group, thereby increasing efficiency and realizing the benefits of the group resources and scale of operations. Moreover, through a greater integration of its shared expertise in banking, trust and securities businesses, MTFG aims to deliver a more diverse but integrated lineup of products and services for its customers.

In order to reflect its new integrated business group system, MTFG has changed the classification of its business segments. Regarding operations that are not covered by the integrated business group system, MTFG 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 business group integrates the retail business of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank as well as retail product development, promotion and marketing in a single management structure. At the same time, the business group 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 MTFG s corporate clients. The business group has clarified strategic domains, sales channels and methods to match the different growth stages and financial needs of MTFG s corporate customers.

Integrated Trust Assets Business Group Covers asset management and administration services for products such as pension trusts and security trusts by integrating the trust banking expertise of Mitsubishi Trust Bank and the international strengths of Bank of Tokyo-Mitsubishi. The business 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 Bank of Tokyo-Mitsubishi, which conducts asset liability management and liquidity management for Bank of Tokyo-Mitsubishi, and the global markets business group at Mitsubishi Trust Bank. Treasury provides various financial operations such as money markets and foreign exchange operations and securities investments.

UNBC UNBC consists of Bank of Tokyo-Mitsubishi s subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A. As of December 31, 2004, Bank of Tokyo-Mitsubishi owned 61.8% of UnionBanCal Corporation, a publicly traded company listed on the New York Stock Exchange. UnionBanCal is a U.S. commercial bank holding company. Union Bank of California, N.A., UnionBanCal s bank subsidiary, is one of the largest commercial banks in California based on total assets and total deposits. 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 Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. The elimination of duplicated amounts of net revenue among business segments is also reflected in Other.

Table of Contents

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
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
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

Total net revenue decreased ¥15.4 billion, or 1.6%, from ¥947.6 billion for the six months ended September 30, 2003 to ¥932.2 billion for the six months ended September 30, 2004. This decrease was due mainly to a decrease of ¥50.8 billion in Treasury. The decrease was partially offset by an increase of ¥22.1 billion in the Integrated Retail Banking Business Group.

Total operating expenses decreased ¥2.4 billion, or 0.5%, from ¥519.9 billion for the six months ended September 30, 2003 to ¥517.5 billion for the six months ended September 30, 2004. This decrease was mainly due to a decrease of ¥2.2 billion in the Integrated Corporate Banking Business Group.

Total operating profit decreased ¥13.0 billion, or 3.0%, from ¥427.7 billion for the six months ended September 30, 2003 to ¥414.7 billion for the six months ended September 30, 2004. This decrease was due mainly to a decrease of ¥50.5 billion in the Treasury. The decrease was partially offset by an increase of ¥22.3 billion in the Integrated Retail Banking Business Group.

Net revenue of the Integrated Retail Banking Business Group increased ¥22.1 billion, or 11.4%, from ¥194.3 billion for the six months ended September 30, 2003 to ¥216.4 billion for the six months ended September 30, 2004. Net revenue of the Integrated Retail Banking Business Group mainly consists of revenue from commercial banking operations such as deposits and lending operations, and fees related to the sales of investment products to retail customers, as well as fees from subsidiaries belonging to the Integrated Retail Banking Business Group. The increase in net revenue was mainly due to an increase in net fees, reflecting an increase in fees on sales of annuity, investment trusts and equity.

Operating expenses of the Integrated Retail Banking Business Group were ¥155.2 billion for the six months ended September 30, 2004, which was mostly unchanged from the previous interim period.

Operating profit of the Integrated Retail Banking Business Group increased ¥22.3 billion, or 57.3%, from ¥38.9 billion for the six months ended September 30, 2003 to ¥61.2 billion for the six months ended September 30, 2004. This increase was mainly due to an increase in net revenue, as explained above.

Net revenue of the Integrated Corporate Banking Business Group increased ¥5.4 billion, or 1.4%, from ¥384.9 billion for the six months ended September 30, 2003 to ¥390.3 billion for the six months ended

Table of Contents

September 30, 2004. Net revenue of the Integrated Corporate Banking Business Group mainly consists of revenue from lending and other commercial banking operations, investment banking and trust banking businesses to corporate clients, as well as fees from subsidiaries belonging to the Integrated Corporate Banking Business Group. The increase in net revenue was due mainly to improved net revenue in domestic businesses.

With regard to the domestic businesses, net revenue of ¥316.0 billion, an increase of ¥9.7 billion, was recorded for the six months ended September 30, 2004. This increase was mainly due to an increase in fees in the investment banking business of ¥15.1 billion, reflecting an increase in fees from sales of derivative products and an increase in fees from arrangement of syndicated loans. Fees from foreign exchange transactions and trust asset businesses also increased by ¥2.5 billion and ¥2.1 billion, respectively. These increases were partially offset by a decrease in net interest income of ¥5.4 billion, reflecting the weak loan demand in the large- and medium-sized corporate sector and the decrease in profits from MTFG s subsidiaries of ¥8.7 billion, mainly reflecting the decrease in trading profits at MTFG s securities subsidiary.

With regard to the overseas businesses, net revenue of ¥74.3 billion, a decrease of ¥4.3 billion, was recorded for the six months ended September 30, 2004. This decrease was mainly due to a decrease in revenue of ¥5.8 billion from corporate banking business with non-Japanese corporate clients, reflecting weak loan demand and also due to a decrease in fees relating to M&A transactions. This decrease was partially offset by an increase in fees in the investment banking business of ¥1.5 billion, reflecting the increase in fees from sales of derivative products and leasing transactions.

Operating expenses of the Integrated Corporate Banking Business Group decreased ¥2.2 billion, or 1.2%, from ¥189.8 billion for the six months ended September 30, 2003 to ¥187.6 billion for the six months ended September 30, 2004. This decrease was due to a decrease of ¥0.6 billion in domestic businesses reflecting the decrease in personnel and other costs, and a decrease of ¥1.6 billion in overseas businesses mainly reflecting the increased efficiency in MTFG s operations in Europe.

Operating profit of the Integrated Corporate Banking Business Group increased ¥7.6 billion, or 3.9%, from ¥195.1 billion for the six months ended September 30, 2003 to ¥202.7 billion for the six months ended September 30, 2004. This increase was due mainly to the increase in fees in net revenue and the decrease in operating expenses as stated above.

Net revenue of the Integrated Trust Asset Business Group increased ¥2.2 billion, or 9.4%, from ¥23.3 billion for the six months ended September 30, 2003 to ¥25.5 billion for the six months ended September 30, 2004. Net revenue of the Integrated Trust Assets Business Group mainly consists of fees from asset management and administration services for products such as pension trusts and security trusts. The increase in net revenue was due mainly to a ¥0.6 billion increase in revenue from MTFG s asset management services and a ¥1.6 billion increase in administration services. The increase in asset management services primarily reflected increased revenue from sales of newly-introduced investment trust products in MTFG s asset management subsidiaries. The increase in administration services primarily reflected an increase in investment trust fee income.

Operating expenses of the Integrated Trust Asset Business Group decreased ¥0.5 billion, or 2.1%, from ¥23.5 billion for the six months ended September 30, 2003 to ¥23.0 billion for the six months ended September 30, 2004. This decrease was mainly due to a decrease of ¥0.9 billion in expenses in asset management services at the trust bank.

Operating profit of the Integrated Trust Asset Business Group was ¥2.5 billion for the six months ended September 30, 2004, an increase of ¥2.7 billion, compared with net operating loss of ¥0.2 billion for the six months ended September 30, 2003. This increase reflected a ¥1.1 billion increase in operating profit of asset management services and a ¥1.6 billion increase in operating profit of asset administration services.

Net revenue of Treasury decreased ¥50.8 billion, or 25.4%, from ¥200.1 billion for the six months ended September 30, 2003 to ¥149.3 billion for the six months ended September 30, 2004. This decrease was mainly

186

Table of Contents

due to a decrease in other income, which primarily reflected a loss in hedging operations on foreign currency interest rate operations. This decrease was partially offset by an increase in fees on jointly operated designated money in trusts.

Net revenue of UNBC increased ¥5.9 billion, or 4.2%, from ¥139.8 billion for the six months ended September 30, 2003 to ¥145.7 billion for the six months ended September 30, 2004. This increase was due to an increase in net interest income, which was favorably influenced by higher earning asset volumes and strong deposit growth. Gains on sales of the merchant card portfolio as well as gains on the sale of real property also contributed to the increase in net revenue.

The following table sets forth MTFG s business segment information for the fiscal years ended March 31, 2002, 2003 and 2004 as reclassified to conform to the new basis of segmentation:

	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
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
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
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

Table of Contents

Geographic Segment Analysis

The following table sets forth MTFG s total revenue, income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle and net income (loss) on a geographic basis, based principally on the domicile of activities for the fiscal years ended March 31, 2002, 2003 and 2004. As discussed in Recent Developments Strategic Business and Capital Alliance between Mitsubishi Tokyo Financial Group and ACOM above, MTFG s geographic segment information for the periods presented below has been adjusted.

	Fiscal years ended March 31,		
	2002	2003	2004
		(in billions)	
Total revenue (interest income and non-interest income):			
Domestic	¥ 1,219.9	¥ 1,286.9	¥ 1,651.9
Foreign:			
United States	541.5	611.9	575.1
Europe	243.9	256.0	277.2
Asia/Oceania excluding Japan	239.0	150.6	78.1
Other areas*	129.0	117.7	147.5
Total foreign	1,153.4	1,136.2	1,077.9
Total	¥ 2,373.3	¥ 2,423.1	¥ 2,729.8
Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle:			
Domestic	¥ (387.6)	¥ (75.5)	¥ 711.1
Foreign:			
United States	(31.4)	173.9	166.4
Europe	8.5	52.0	183.1
Asia/Oceania excluding Japan	44.8	61.5	48.2
Other areas*	41.0	51.6	72.6
Total foreign	62.9	339.0	470.3
Total	¥ (324.7)	¥ 263.5	¥ 1,181.4
Net income (loss):			
Domestic	¥ (237.9)	¥ (70.5)	¥ 464.2
Foreign:			
United States	(57.0)	143.0	158.3
Europe	4.1	37.3	120.8
Asia/Oceania excluding Japan	35.0	43.3	26.5
Other areas*	37.9	50.3	53.2

Total foreign	20.0	273.9	358.8
Total	¥ (217.9)	¥ 203.4	¥ 823.0

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

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

Domestic net income for the fiscal year ended March 31, 2004 was ¥464.2 billion, compared to a ¥70.5 billion loss for the fiscal year ended March 31, 2003. This improvement primarily reflected the reversal of allowance for credit losses and the gains in investment securities due to the improvement in domestic stock prices.

188

Table of Contents

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

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

Domestic total revenue increased ¥67.0 billion, or 5.5 %, from ¥1,219.9 billion for the fiscal year ended March 31, 2002 to ¥1,286.9 billion for the fiscal year ended March 31, 2003. This increase primarily reflected an increase in net trading account profits. The increase was partially offset by a decrease in interest income.

Foreign total revenue decreased ¥17.2 billion, or 1.5%, from ¥1,153.4 billion for the fiscal year ended March 31, 2002 to ¥1,136.2 billion for the fiscal year ended March 31, 2003. This decrease primarily reflected a decrease in interest income. The decrease was partially offset by increases in net foreign exchange gains and net investment securities gains.

Domestic loss from continuing operations before income tax expense (benefit) and cumulative effect of a change in accounting principle for the fiscal year ended March 31, 2003 was ¥75.5 billion, compared to a ¥387.6 billion loss for the fiscal year ended March 31, 2002. This improvement primarily reflected a decrease in the provision for credit losses and increases in net trading account profits.

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

Effect of the Change in Exchange Rates on Foreign Currency Translation

The average exchange rate for the fiscal year ended March 31, 2004 was ¥113.07 per $1.00, compared to the prior fiscal year s average exchange rate of ¥121.94 per $1.00. The average exchange rate for the conversion of the U.S. dollar financial statements of some of MTFG s foreign subsidiaries for the fiscal year ended December 31, 2003 was ¥115.98 per $1.00, compared to the average exchange rate for the fiscal year ended December 31, 2002 of ¥125.34 per $1.00.

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

Financial Condition

Total Assets

MTFG s total assets at September 30, 2004 were ¥113.29 trillion, an increase of ¥9.59 trillion, or 9.3%, from ¥103.70 trillion at March 31, 2004. This increase was mainly due to an increase of ¥5.41 trillion in investment securities, which reflected an increase in MTFG s holdings of Japanese government bonds, and an increase of ¥3.21 trillion in loans. The increase in loans was primarily due to an increase of ¥2.48 trillion in loans through VIEs that MTFG consolidated in accordance with the FIN No. 46R. These increases were partially offset by a decrease in call loans, funds sold, and receivables under resale agreements, and receivables under securities borrowing transactions.

MTFG s total assets at March 31, 2004 were ¥103.70 trillion, representing an increase of ¥7.16 trillion, from ¥96.54 trillion at March 31, 2003. This increase was due primarily to an increase of ¥4.39 trillion in investment

Table of Contents

securities and an increase of ¥2.90 trillion in receivables under securities borrowing transactions. This increase was partially offset by a decrease of ¥1.18 trillion in cash and due from banks.

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

	At March 31,	
	2003	**2004**
	(in trillions)	
Japan	¥ 69.74	¥ 79.66
Foreign:		
United States of America	13.21	12.59
Europe	7.89	6.14
Asia/Oceania excluding Japan	3.15	3.01
Other areas*	2.55	2.30
Total foreign	26.80	24.04
Total	¥ 96.54	¥ 103.70

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

At March 31, 2004, the noon buying rate of the Federal Reserve Bank of New York was ¥104.18 per $1.00, as compared with ¥118.07 per $1.00 at March 31, 2003. The yen equivalent amount of foreign currency denominated assets and liabilities increases as the relevant exchange rate indicating the yen value per one foreign currency unit becomes higher, evidencing a weaker yen, and decreases as the relevant exchange rate indicating the yen value per one foreign currency unit becomes lower, evidencing a stronger yen. The appreciation of the yen against the U.S. dollar and other foreign currencies during the fiscal year ended March 31, 2004 decreased the yen value of MTFG s total assets by approximately ¥2.47 trillion. See Exchange Rates.

190

Loan Portfolio

The following table shows MTFG s loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31, 2003 and 2004 and September 30, 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.

	March 31, 2003	March 31, 2004	September 30, 2004
		(in billions)	
Domestic:			
Manufacturing	¥ 6,034.3	¥ 6,000.1	¥ 6,756.7
Construction	1,277.4	1,010.4	990.4
Real estate	4,298.1	4,585.3	4,758.9
Services	4,953.8	4,344.8	4,228.3
Wholesale and retail	5,458.3	4,999.0	5,287.6
Banks and other financial institutions	3,598.0	3,834.2	4,290.6
Communication and information services	1,516.0	874.6	826.8
Other industries	3,858.2	6,169.4	6,576.6
Consumer(1)	7,425.7	7,951.2	8,240.1
Total domestic	38,419.8	39,769.0	41,956.0
Foreign:			
Governments and official institutions	235.1	183.1	125.4
Banks and other financial institutions	928.1	1,043.9	966.7
Commercial and industrial	8,413.5	7,239.9	8,137.5
Other	510.1	318.6	626.0
Total foreign	10,086.8	8,785.5	9,855.6
Less unearned income and deferred loan fees net	41.0	28.6	26.9
Total (2)	¥ 48,465.6	¥ 48,525.9	¥ 51,784.7

(1) 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, MTFG s credit administration system was upgraded and MTFG became able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 and September 30, 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 billions)				
March 31, 2004	¥ 28.2	¥ 19.3	¥ 738.4	¥ 230.7	¥ 52.3	¥ 1.2	¥ 4.1	¥ 10.6	¥ 1,084.8
September 30, 2004	¥ 23.3	¥ 17.5	¥ 712.6	¥ 212.1	¥ 45.7	¥ 1.1	¥ 9.5	¥ 3.8	¥ 1,025.6

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

(2) Includes loans held for sale of ¥4.0 billion, ¥12.9 billion and ¥1.9 billion at March 31, 2003 and 2004 and September 30, 2004, respectively, which are carried at the lower of cost or estimated fair value.

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

191

Table of Contents

September 30, 2004 Compared to March 31, 2004

At September 30, 2004, MTFG s total loans were ¥51.78 trillion, an increase of ¥3.25 trillion, or 6.7%, from ¥48.53 trillion at March 31, 2004. The loan balance at September 30, 2004 consisted of ¥41.96 trillion of domestic loans and ¥9.86 trillion of foreign loans. The loan balance at March 31, 2004 consisted of ¥39.77 trillion of domestic loans and ¥8.79 trillion of foreign loans.

Domestic loans increased ¥2.19 trillion to ¥41.96 trillion at September 30, 2004 from ¥39.77 trillion at March 31, 2004. This increase was primarily due to increases in loans to industries such as manufacturing, wholesale and retail, and banks and other financial institutions, reflecting the consolidation of certain VIEs. In accordance with the consolidation requirements of FIN No. 46R, MTFG consolidated several multi-seller finance entities, primarily commercial paper conduits, where MTFG is deemed to be the primary beneficiary.

Besides the effect of VIEs, domestic loans also increased due to increases in consumer loans and loans to other industries. Consumer loans increased due to promotion of residential mortgage loans. Loans to other industries increased as MTFG increased loans to the public sector which have lower credit risk, as a part of its effective use of funds.

Foreign loans increased ¥1.07 trillion to ¥9.86 trillion at September 30, 2004 from ¥8.79 trillion at March 31, 2004 mainly due to the effect of VIEs. Besides the effect of VIEs, foreign loans also increased due to an increase in loans made by UnionBanCal Corporation.

March 31, 2004 Compared to March 31, 2003

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

Domestic loans increased ¥1.35 trillion and foreign loans decreased ¥1.30 trillion. With respect to domestic loans, despite a significant decrease in nonperforming loans due to disposal, the total loan balance increased, reflecting an increase in consumer loans, as MTFG promoted residential mortgage loans, and an increase in loans to other industries mainly to the public sector, through increasing loans to Japanese government and related institutions, which have comparatively lower credit risk, as a part of MTFG s effective use of funds.

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

Table of Contents

Allowance for Credit Losses, Nonperforming and Past Due Loans

The following table shows a summary of the change in the allowance for credit losses for the fiscal years ended March 31, 2002, 2003 and 2004 and the six months ended September 30, 2003 and 2004:

	Fiscal years ended March 31,			Six months ended September 30,	
	2002	2003	2004	2003	2004
			(in billions)		
Balance at beginning of period	¥ 1,717.0	¥ 1,735.2	¥ 1,360.1	¥ 1,360.1	¥ 888.1
Provision (credit) for credit losses	598.4	438.0	(114.1)	(129.6)	167.1
Charge-offs:					
Domestic	(513.2)	(753.8)	(294.2)	(127.1)	(112.8)
Foreign	(156.2)	(139.8)	(83.9)	(49.0)	(25.7)
Total	(669.4)	(893.6)	(378.1)	(176.1)	(138.5)
Less Recoveries	66.0	78.8	41.0	18.7	17.3
Net charge-offs	(603.4)	(814.8)	(337.1)	(157.4)	(121.2)
Other, principally foreign currency translation adjustments	23.2	1.7	(20.8)	(4.1)	4.2
Balance at end of period	¥ 1,735.2	¥ 1,360.1	¥ 888.1	¥ 1,069.0	¥ 938.2

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

Provision for credit losses of ¥167.1 billion was recorded for the six months ended September 30, 2004, compared with reversal of allowance for credit losses of ¥129.6 billion for the six months ended September 30, 2003, including gain on sales of nonperforming loans of ¥8.8 billion and ¥5.2 billion for the six months ended September 30, 2004 and 2003, respectively. This change in the provision (credit) for credit losses was due mainly to a significant decrease in MTFG s allocated allowance for specifically identified problem loans in the six months ended September 30, 2003, which did not occur in the six months ended September 30, 2004, and to an increase in MTFG s allocated allowance for specifically identified problem loans in the six months ended September 30, 2004 as a result of credit of downgrades for several borrowers to which MTFG extended relatively large amounts of loans.

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

193

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

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

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

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

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

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

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

MTFG incurred additional provisions of ¥45.0 billion in connection with the sale of loans including performing loans for the fiscal year ended March 31, 2003, and recorded a gain of ¥8.7 billion for the fiscal year ended March 31, 2004.

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

Table of Contents

The following table summarizes the allowance for credit losses by component at March 31, 2002, 2003 and 2004 and September 30, 2004:

	March 31, 2002	March 31, 2003	March 31, 2004	September 30, 2004
	(in billions)			
Allocated allowance:				
Specific specifically identified problem loans	¥ 1,301.6	¥ 894.4	¥ 563.6	¥ 702.4
Large groups of smaller-balance homogeneous loans	38.3	38.0	38.8	38.0
Loans exposed to specific country risk	28.3	13.1	6.1	5.3
Formula substandard, special mention and other loans	344.4	391.3	261.1	182.9
Unallocated allowance	22.6	23.3	18.5	9.6
Total allowance	¥ 1,735.2	¥ 1,360.1	¥ 888.1	¥ 938.2

Allowance policy

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

Change in total allowance and provision for credit losses

At September 30, 2004, the total allowance for credit losses was ¥938.2 billion, or 1.8% of MTFG s total loan portfolio and 52.4% of total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more. The increase in allowance for credit losses of ¥50.1 billion, or 5.6%, was primarily attributable to an increase of ¥138.8 billion in specific allowance for specifically identified problem loans, from ¥563.6 billion at March 31, 2004 to ¥702.4 billion at September 30, 2004, due to credit downgrades of several borrowers to which MTFG extended relatively large amounts of loans. However, formula allowance for substandard, special mention and other loans decreased by ¥78.2 billion, from ¥261.1 billion at March 31, 2004 to ¥182.9 billion at September 30, 2004. This decrease was due to a reduction of some performing loans, for which credit risk and percentage of allowance were comparatively high.

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

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

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

Table of Contents

Allocated allowance for specifically identified problem loans

The allocated credit loss allowance for specifically identified problem loans represents the allowance against impaired loans called for in SFAS No. 114, Accounting by Creditors for Impairment of a Loan. Impaired loans primarily include nonaccrual loans and restructured loans. MTFG 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 with respect to loans made by its banking subsidiaries, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, and 90 days or more with respect to loans of certain foreign banking subsidiaries. Loans are classified as restructured loans when MTFG grants a concession to the borrowers for economic or legal reasons related to the borrowers financial difficulties. Detailed reviews of impaired loans are performed on a daily basis after a borrower s annual or semi-annual financial statements first become available. In addition, as part of an ongoing credit review process, MTFG s credit officers monitor changes in all customers creditworthiness including bankruptcy, past due principal or interest, downgrading of external credit rating, declining stock price, business restructuring and other events and reassesses borrowers ratings in response to such events. This credit monitoring process form an integral part of MTFG s 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.

Table of Contents

The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, at March 31, 2003 and 2004 and September 30, 2004:

	March 31, 2003	March 31, 2004	September 30, 2004
	(in billions, except percentages)		
Nonaccrual loans:			
Domestic:			
Manufacturing	¥ 111.1	¥ 175.7	¥ 153.1
Construction	149.9	59.0	47.3
Real estate	266.4	154.8	253.0
Services	87.5	73.0	157.2
Wholesale and retail	224.5	108.5	294.6
Banks and other financial institutions	17.8	21.4	4.6
Communication and information services	14.1	5.1	5.1
Other industries	53.9	39.8	25.4
Consumer*	151.0	141.8	137.2
Total domestic	1,076.2	779.1	1,077.5
Foreign	337.4	304.0	288.8
Total nonaccrual loans	1,413.6	1,083.1	1,366.3
Restructured loans:			
Domestic:			
Manufacturing	215.6	88.7	58.8
Construction	118.5	41.2	25.6
Real estate	264.9	131.0	114.2
Services	164.0	87.5	64.9
Wholesale and retail	292.8	149.3	59.8
Banks and other financial institutions	19.9	1.6	0.6
Communication and information services	11.1	4.7	4.0
Other industries	39.6	12.4	9.9
Consumer*	86.4	61.0	54.4
Total domestic	1,212.8	577.4	392.2
Foreign	106.2	55.0	21.7
Total restructured loans	1,319.0	632.4	413.9
Accruing loans contractually past due 90 days or more:			
Domestic	17.5	14.7	9.9
Foreign	2.9	0.9	1.6
Total accruing loans contractually past due 90 days or more	20.4	15.6	11.5
Total	¥ 2,753.0	¥ 1,731.1	¥ 1,791.7
Total loans	¥ 48,465.6	¥ 48,525.9	¥ 51,784.7
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of total loans	5.68%	3.57%	3.46%

* 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, MTFG s credit administration system was upgraded and MTFG became

Table of Contents

able to present a precise breakdown of the balance of such consumer loans at March 31, 2004 and September 30, 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 billions)				
March 31, 2004:									
Nonaccrual loans	¥1.6	¥ 0.9	¥ 52.3	¥ 14.2	¥ 5.8		¥ 0.2		¥ 75.0
Restructured loans	1.0	0.3	21.0	4.1	1.5				27.9
September 30, 2004:									
Nonaccrual loans	¥1.5	¥ 0.8	¥ 54.4	¥ 14.4	¥ 4.1		¥ 0.3	¥ 0.4	¥ 75.9
Restructured loans	1.2	0.3	20.7	3.1	2.0			0.2	27.5

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

September 30, 2004 Compared to March 31, 2004. The total amount of nonaccrual loans, restructured loans, and accruing loans that are contractually past due 90 days or more increased ¥60.6 billion from ¥1,731.1 billion at March 31, 2004 to ¥1,791.7 billion at September 30, 2004. The total amount of nonaccrual loans, restructured loans, and accruing loans that are contractually past due 90 days or more as a percentage of total loans decreased from 3.57% at March 31, 2004 to 3.46% at September 30, 2004.

Nonaccrual loans increased ¥283.2 billion from ¥1,083.1 billion at March 31, 2004 to ¥1,366.3 billion at September 30, 2004. By industry classification, nonaccrual loans increased by ¥186.1 billion in Wholesale and retail, ¥98.2 billion in Real estate, and ¥84.2 billion in Service, but in all other industry classifications, nonaccrual loans decreased, as presented in the table above. These increases in the three industries were due to credit downgrades of several borrowers to which MTFG extended relatively large amount of loans.

Restructured loans decreased ¥218.5 billion from ¥632.4 billion at March 31, 2004 to ¥413.9 billion at September 30, 2004. Restructured loans decreased in all industry classifications due to MTFG s effort to reduce nonperforming loans mentioned below.

Based on the Japanese government s Program for Financial Revival to reduce nonperforming loans and its own initiative to improve the quality of its loan portfolio, MTFG has made an effort to reduce nonperforming loans through the disposition of nonperforming loans and its continued efforts to revive financially distressed companies, which in turn lead to upgrading of credit risks and collection of loans. In particular, a designated team has been providing various advisory supports services to financially distressed borrowers in order to improve their financial conditions. This team has been assisting companies in enhancing their corporate values, which resulted in the upgrading of their credit risks. In addition, improving conditions in several facets of the Japanese economy and MTFG s continued stringent self-assessment of its portfolio have enabled MTFG to significantly reduce new nonperforming loans.

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

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

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

Table of Contents

- Many borrowers were upgraded mainly through MTFG s policy to support the borrowers revival efforts.

- MTFG also made efforts to reduce nonperforming loans through collection.

The following table summarizes the balance of impaired loans and the related impairment allowance at March 31, 2002, 2003 and 2004 and at September 30, 2004, excluding large groups of smaller-balance homogeneous loans:

	March 31, 2002		March 31, 2003		March 31, 2004		September 30, 2004	
	Loan balance	Impairment allowance	Loan balance	Impairment allowance	Loan balance	Impairment allowance	Loan balance	Impairment allowance
	(in billions, except percentages)							
Requiring an impairment allowance	¥ 3,556.6	¥ 1,296.3	¥ 2,408.5	¥ 894.4	¥ 1,405.8	¥ 563.6	¥ 1,535.3	¥ 702.4
Not requiring an impairment allowance	489.1		211.2		183.1		155.8	
Total	¥ 4,045.7	¥ 1,296.3	¥ 2,619.7	¥ 894.4	¥ 1,588.9	¥ 563.6	¥ 1,691.1	¥ 702.4
Percentage of the allocated impairment allowance to total impaired loans	32.0%		34.1%		35.5%		41.5%	

In addition to impaired loans presented in the above table, MTFG had impaired loans held for sale of ¥3.2 billion, ¥3.8 billion, ¥12.6 billion and ¥1.4 billion at March 31, 2002, 2003 and 2004 and at September 30, 2004, respectively.

September 30, 2004 Compared to March 31, 2004. Impaired loans increased ¥102.2 billion, or 6.4%, from ¥1,588.9 billion at March 31, 2004 to ¥1,691.1 billion at September 30, 2004. The percentage of the allocated allowance to total impaired loans at September 30, 2004 was 41.5%, an increase of 6.0 basis points, from 35.5% at March 31, 2004.

The increase in the percentage of allocated impairment allowance to total impaired loans was due to the increase in nonaccrual loans, for which a comparatively higher amount of the allocated allowance was provided.

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

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

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

Allocated allowance for large groups of smaller-balance homogeneous loans

The allocated allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pool rather than on an analysis of individual loans. Large groups of smaller-balance homogeneous loans primarily consist of first mortgage housing loans to individuals. The allowance for groups of performing loans is based on historical loss experience over a period. In determining the level of the allowance for delinquent groups of loans, MTFG classifies groups of homogeneous loans based on the risk rating and/or the number of delinquencies. MTFG determines the credit loss allowance for delinquent groups of loans based on the probability of insolvency by the number of actual delinquencies and actual loss experience. The loss experience is usually determined by reviewing the historical loss rate. The allocated credit loss allowance for large groups of smaller-balance homogeneous loans was ¥38.0 billion at September 30, 2004, substantially unchanged from ¥38.8 billion at March 31, 2004, a slight increase from ¥38.0 billion at March 31, 2003.

Allocated allowance for country risk exposure

The allocated credit loss allowance for country risk exposure is based on an estimate of probable losses relating to the exposure to countries that MTFG identifies as having a high degree of transfer risk. MTFG uses a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, MTFG considers the instability of the relevant foreign currency and difficulties regarding debt servicing. The allowance is determined based on the assessment of individual country risks, taking into consideration various factors such as the political and macroeconomic situation, debt repayment capability and the secondary market price, if available, of debt obligations of the concerned countries. It is generally based on a function of default probability and expected recovery ratios, taking external credit ratings into account. The allocated allowance for country risk exposure decreased ¥0.8 billion from ¥6.1 billion at March 31, 2004 to ¥5.3 billion at September 30, 2004.

The following is a summary of cross-border outstandings to counterparties* in major Asian and Latin American countries at March 31, 2003 and 2004 and September 30, 2004:

	March 31, 2003	March 31, 2004	September 30, 2004
		(in billions)	
Hong Kong	¥ 224.7	¥ 333.4	¥ 357.0
Singapore	278.0	226.5	263.9
People s Republic of China	145.0	213.6	256.8
South Korea	289.2	226.1	246.8
Thailand	167.4	164.1	231.7
Malaysia	116.2	106.3	116.7
Philippines	61.3	53.5	43.6
Indonesia	33.9	28.4	34.2
Brazil	120.0	82.5	68.2
Mexico	76.3	46.3	63.6
Argentina	34.1	18.2	9.1

* MTFG recorded allocated allowance for country risk exposure for specific countries, not all of the countries above.

MTFG does not expect the Tsunami disaster caused by the earthquake occurred off the coast of Sumatra Island in December 2004 to have a material impact on MTFG s loan portfolio.

Formula allowance for substandard, special mention and unclassified loans

The formula allowance is calculated by applying estimated loss factors to outstanding substandard, special mention and unclassified loans. In evaluating of inherent loss for these loans, MTFG relies on a statistical analysis that incorporates a percentage of total loans based on historical loss experience.

Bank of Tokyo-Mitsubishi has computed the formula allowance based on estimated credit losses using a methodology defined by the credit rating system. Estimated losses inherent in the loan portfolio at the balance sheet date are calculated by multiplying the default ratio by the irrecoverable ratio (determined as a complement of the recovery ratio). The default ratio is determined by each credit risk rating, taking into account the historical

Table of Contents

number of defaults of borrowers within each credit risk rating divided by the total number of borrowers within that credit risk rating existing at the beginning of the five-year observation period. The recovery ratio is determined by the historical experience of collections against loans in default.

Mitsubishi Trust Bank also computes the formula allowance based on a similar methodology on the basis of historical loss experience except for a few technical differences in methodology including shorter observation periods to develop the ratio for formula allowance of each credit rating calculation and the extent of grouping of loans in computing the allowance, reflecting the smaller size of the loan portfolio.

UnionBanCal Corporation, MTFG s largest overseas subsidiary, calculates the formula allowance by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of such loans, leases and commitments. Changes in risk grades affect the amount of the formula allowance. Loss factors are based on historical loss experience and may be adjusted for significant factors that, in management s judgment, affect the collectibility of the portfolio as of the evaluation date. Loss factors are developed in the following ways:

- pass graded loss factors for commercial, financial and industrial loans, as well as all problem graded loan loss factors, are derived from a migration model that tracks historical losses over a period, which MTFG believes captures the inherent losses in the loan portfolio;
- pass graded loss factors for commercial real estate loans and construction loans are based on the average annual net charge-off rate over a period reflective of a full economic cycle; and
- pooled loan loss factors (not individually graded loans) are based on expected net charge-offs for one year. Pooled loans are loans that are homogeneous in nature, such as consumer installment, home equity, residential mortgage loans and automobile leases.

Though there are a few technical differences in the methodology used for the allowance for credit losses as mentioned above, MTFG examines overall sufficiency of the formula allowance periodically by back-test comparison with the actual loss experience subsequent to the balance sheet date.

The formula allowance decreased ¥130.2 billion from ¥391.3 billion at March 31, 2003 to ¥261.1 billion at March 31, 2004. This decrease was due to a reduction of some performing loans of which credit risk and percentage of allowance were comparatively high.

Unallocated allowance

The unallocated allowance contains amounts that are based on management s evaluation of conditions that are not directly measured in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific problem credits or portfolio segments. The conditions include the following, as MTFG s management understood them to exist at the balance sheet date:

- general economic and business conditions affecting MTFG s key lending areas;

- credit quality trends, including trends in nonperforming loans expected to result from existing conditions;
- collateral values;
- loan volumes and concentrations;
- seasoning of the loan portfolio;
- specific industry conditions within portfolio segments;
- recent loss experience in particular segments of the portfolio;

- duration of the current business cycle;
- bank regulatory examination results; and
- findings of MTFG s internal credit examiners.

To the extent that any of these conditions is evidenced by a specifically identifiable problem credit as of the evaluation date, management s estimate of the effect of the condition may be reflected as a specific allowance, applicable to the specific credit. Where any of these conditions is not evidenced by a specifically identifiable problem credit as of the evaluation date, management s evaluation of the probable loss related to the condition is first reflected in the formula allowance and then considered in the unallocated allowance. The allowance for credit losses is based upon estimates of probable losses inherent in the loan portfolio. Although MTFG uses methodologies that are intended to reduce the differences between estimated and actual losses, the actual losses can vary from the estimated amounts.

The unallocated allowance decreased ¥4.8 billion from ¥23.3 billion at March 31, 2003 to ¥18.5 billion at March 31, 2004. This decrease primarily reflected improving economic factors and identifiable improving conditions in several specific sectors in the United States.

Allowance for Off-balance-sheet Credit Instruments

In addition to the allowance for credit losses on the loan portfolio, MTFG 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. This allowance is included in other liabilities. With regard to the specific allocated allowance for specifically identified credit exposure and the allocated formula allowance, MTFG applies the same methodology that it uses in determining the allowance for loan credit losses. The allowance for credit losses on off-balance-sheet credit instruments was ¥72.6 billion at September 30, 2004, ¥110.7 billion at March 31, 2004, and ¥83.3 billion at March 31, 2003. This increase is primarily due to the accelerated restructuring and downgrades of some borrowers to whom MTFG had extended off-balance sheet credit.

Investment Portfolio

MTFG s investment securities are primarily comprised of marketable equity securities and Japanese government and Japanese government agency bonds, which are mostly classified as available-for-sale securities. MTFG also holds Japanese government bonds which are classified as securities being held to maturity.

Historically, MTFG has held equity securities of some of its customers for strategic purposes, in particular to maintain long-term relationships with these customers. However, MTFG s current goal is to reduce the aggregate value of its equity securities to approximately 50% of its Tier I capital by March 31, 2007 because MTFG believes from a risk management perspective that reducing the price fluctuation risk in its equity portfolio is imperative. MTFG has not yet determined how the management integration with UFJ group will impact its plans in this area. As of September 30, 2004, MTFG had reduced the aggregate value of marketable equity securities under Japanese GAAP to 63% of its Tier I capital, which satisfies the requirements of the legislation forbidding banks from holding equity securities in excess of their Tier I capital after September 30, 2006.

Investment securities increased ¥5.41 trillion, or 18.6%, from ¥29.08 trillion at March 31, 2004 to ¥34.49 trillion at September 30, 2004, due primarily to an increase in available-for-sale securities of ¥4.00 trillion. Investment securities increased ¥4.39 trillion, from ¥24.69 trillion at March 31, 2003 to ¥29.08 trillion at March 31, 2004.

The following table shows information as to the value of MTFG s investment securities available for sale and being held to maturity at March 31, 2004 and September 30, 2004.

Table of Contents

	March 31, 2003			March 31, 2004			September 30, 2004		
	Amortized cost	Estimated fair value	Net unrealized gains	Amortized cost	Estimated fair value	Net unrealized gains	Amortized cost	Estimated fair value	Net unrealized gains
	(in billions)								
Securities available for sale:									
Debt securities, principally Japanese government bonds and corporate bonds	¥20,418.8	¥ 20,773.0	¥ 354.2	¥ 23,413.4	¥ 23,547.1	¥ 133.7	¥ 27,873.8	¥ 28,045.4	¥ 171.6
Marketable equity securities	2,856.7	3,581.3	724.6	2,410.4	4,083.2	1,672.8	2,222.8	3,588.3	1,365.5
Total securities available for sale	¥23,275.5	¥ 24,354.3	¥ 1,078.8	¥ 25,823.8	¥ 27,630.3	¥ 1,806.5	¥ 30,096.6	¥ 31,633.7	¥ 1,537.1
Debt securities being held to maturity, principally Japanese government bonds	¥ 191.1	¥ 203.5	¥ 12.4	¥ 1,250.8	¥ 1,257.9	¥ 7.1	¥ 1,876.7	¥ 1,890.8	¥ 14.1

Available-for-sale securities increased ¥4.00 trillion from ¥27.63 trillion at March 31, 2004 to ¥31.63 trillion at September 30, 2004, primarily due to an increase in debt securities. The increase of ¥4.50 trillion in debt securities available for sale primarily reflected an increase in MTFG s holdings of Japanese government bonds due to higher profit opportunities in the government bond market during the period. The increase in debt securities available for sale was partially offset by a decrease of ¥0.49 trillion in marketable equity securities, which was primarily attributable to MTFG s disposal of marketable equity securities and the general weakening of Japanese stock prices during the six months ended September 30, 2004.

Available-for-sale securities increased ¥3.28 trillion from ¥24.35 trillion at March 31, 2003 to ¥27.63 trillion at March 31, 2004. This increase was due primarily to an increase in amount of Japanese government bonds and an increase in the value of marketable equity securities. The increase in Japanese government bonds was partly due to the fact that MTFG s balance of deposits exceeded its loans, and Japanese government bonds were a viable investment option for MTFG.

Net unrealized gains on available-for-sale securities were ¥1.81 trillion at March 31, 2004 and ¥1.54 trillion at September 30, 2004, respectively. These net unrealized gains related principally to marketable equity securities and the decrease of ¥0.27 trillion in net unrealized gains reflected the reduction of MTFG s marketable equity securities during the period and the general weakening of Japanese stock prices at September 30, 2004, as compared to March 31, 2004.

Net unrealized gains on available-for-sale securities included in the investment portfolio at March 31, 2003 and 2004 were ¥1.08 trillion and ¥1.81 trillion, respectively. These net unrealized gains related principally to marketable equity securities and the increase in net unrealized gains reflected a significant improvement in the Japanese stock market at March 31, 2004, compared to March 31, 2003.

The amortized cost of securities being held to maturity increased ¥0.63 trillion from ¥1.25 trillion at March 31, 2004 to ¥1.88 trillion at September 30, 2004. The amortized cost of securities being held to maturity increased ¥1.06 trillion from ¥0.19 trillion at March 31, 2003 to ¥1.25 trillion at March 31, 2004. These increases were due primarily to increases in investment in Japanese government bonds.

As stated in Recent Developments Management Integration of Mitsubishi Tokyo Financial Group and the UFJ Group, MTFG purchased ¥700 billion in preferred shares issued by UFJ Bank in September 2004. These preferred shares were carried on MTFG s balance sheet as of

September 30, 2004 at cost.

In April 2003, MTFG reassessed the appropriateness of the classification for the available-for-sale securities which had been acquired subsequent to September 2000, when Bank of Tokyo-Mitsubishi transferred its held-to-maturity securities to available-for-sale securities, and acquisitions thereafter had been classified as either available-for-sale or trading. As a result of reassessment, ¥78.3 billion of securities are reclassified as held-to-maturity.

Table of Contents

In addition to the reclassification of securities from available-for-sale to held-to-maturity as set forth above, during the fiscal year ended March 31, 2004, MTFG started to classify a portion of its newly acquired debt securities into the held-to-maturity category to enable more stable fund management.

MTFG had an investment in shares of common stock issued by Mitsubishi Motors Corporation 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 of ¥263 per share at March 31, 2004. Subsequent to March 31, 2004, the per share quoted market price of Mitsubishi Motors Corporation declined to a level below ¥80 per share, after hitting over ¥300 per share in mid-April. Based on a price level of ¥100 per share in September 2004, a significant part of MTFG s investment has been lost subsequent to March 31, 2004.

Cash and Due from Banks

Cash and due from banks increased ¥0.48 trillion, or 15.4%, from ¥3.11 trillion at March 31, 2004 to ¥3.59 trillion at September 30, 2004. Net cash used in operating activities was ¥1.05 trillion and net cash used in investment activities was ¥4.76 trillion, while net cash provided by financing activities was ¥6.21 trillion. Net cash provided by financing activities primarily resulted from a net increase in other short-term borrowings of ¥2.57 trillion and a net increase in call money, funds purchased, and payables under repurchase agreements and securities lending transactions of ¥2.24 trillion.

Cash and due from banks at March 31, 2004 was ¥3.11 trillion, a decrease of ¥1.18 trillion from ¥4.29 trillion at March 31, 2003. The decrease in cash and due from banks was primarily attributable to a decrease in deposits with the Bank of Japan at the end of the fiscal year, due to an increase in investments in short-term Japanese government bonds at the end of the fiscal year.

Interest-Earning Deposits in Other Banks

Interest-earning deposits in other banks fluctuate significantly from day to day depending upon financial market conditions. Interest-earning deposits in other banks at September 30, 2004 were ¥4.12 trillion, an increase of ¥0.61 trillion, from ¥3.51 trillion at March 31, 2004. This increase primarily reflected the shift to investment in interest-earning deposits in other banks due to the relatively higher yield compared to call loans and funds sold, which decreased by ¥0.33 trillion during the same period.

Interest-earning deposits in other banks at March 31, 2004 decreased ¥0.50 trillion from ¥4.01 trillion at March 31, 2003. This decrease primarily reflected a decrease in foreign currency deposits.

Receivables under Securities Borrowing Transactions / Receivables under Resale Agreements

Receivables under securities borrowing transactions decreased ¥0.79 trillion, or 16.7%, from ¥4.75 trillion at March 31, 2004 to ¥3.96 trillion at September 30, 2004. This decrease primarily reflected the shift in investment from the securities repurchase market to investment in Japanese government bonds due to higher profit opportunities in the government bond market during the period. Receivables under resale agreements also decreased by ¥0.54 trillion for similar reasons.

Trading Account Assets

Trading account assets, which consist of trading securities and derivative assets, decreased ¥0.47 trillion, or 5.6%, from ¥8.38 trillion at March 31, 2004 to ¥7.91 trillion at September 30, 2004. The decrease was partially due to a decrease of ¥1.28 trillion in trading commercial paper, reflecting consolidation of certain VIEs in accordance with FIN No. 46R. MTFG s derivative assets, including interest rate swaps and currency swaps also decreased compared to March 31, 2004 as MTFG reduced its trading positions in derivative assets. The increase in trading securities at Mitsubishi Securities partially offset the decreases mentioned above.

Deferred Tax Assets

Deferred tax assets increased ¥0.04 trillion, or 4.4%, from ¥1.01 trillion at March 31, 2004 to ¥1.05 trillion at September 30, 2004. This increase was due primarily to an increase in existing deductible temporary differences reflected an increase in allowance for credit losses and a decrease in existing taxable temporary differences resulted from a decrease in unrealized gains on investment securities available for sale. The increase was partially offset by a decrease in net operating loss carryforwards.

Deferred tax assets decreased ¥0.63 trillion, or 38.4%, from ¥1.64 trillion at March 31, 2003 to ¥1.01 trillion at March 31, 2004. This decrease was due primarily to a decrease in existing deductible temporary differences. The decrease in existing deductible temporary differences reflected a decrease in allowance for credit losses and an increase in unrealized gains on investment securities available for sale. A decrease in net operating loss carryforwards, which is attributable to the existence of taxable income in MTFG s domestic banking subsidiaries for the fiscal year ended March 31, 2004, also contributed to the decrease in deferred tax assets.

Accounts Receivable

Accounts receivable increased ¥1.56 trillion, or 297.1%, from ¥0.52 trillion at March 31, 2004 to ¥2.08 trillion at September 30, 2004. This increase was due primarily to an increase in Japanese government bond transactions at the end of the interim period, where delivery/payment was due after September 30, 2004.

Total Liabilities

Total liabilities at September 30, 2004 were ¥109.47 trillion, an increase of ¥9.62 trillion, or 9.6%, from ¥99.85 trillion at March 31, 2004. This increase was primarily due to an increase of ¥5.83 trillion in short-term borrowings, an increase of ¥2.04 trillion in deposits and an increase of ¥1.70 trillion in accounts payable.

At March 31, 2004, total liabilities were ¥99.85 trillion, an increase of ¥5.87 trillion, from ¥93.98 trillion at March 31, 2003. This increase primarily reflected increases of ¥2.81 trillion in other short-term borrowings and ¥2.72 trillion in total deposits. This increase was partially offset by a decrease of ¥1.09 trillion in trading account liabilities, and a decrease in the yen values for liabilities denominated in the U.S. dollar resulting from the appreciation of the yen. The appreciation of the yen against the U.S. dollar and other foreign currencies during the fiscal year ended March 31, 2004 decreased the yen values for liabilities denominated in foreign currencies by approximately ¥2.29 trillion.

Deposits

Deposits are MTFG s primary source of funds. At September 30, 2004, total deposits were ¥72.06 trillion, an increase of ¥2.04 trillion, or 2.9%, from ¥70.02 trillion at March 31, 2004. This increase reflected a ¥1.4 trillion increase in domestic interest-bearing deposits, including ordinary deposits and certificates of deposits.

Total average deposits increased ¥3.61 trillion from ¥64.89 trillion for the fiscal year ended March 31, 2003 to ¥68.50 trillion for the fiscal year ended March 31, 2004. This increase reflected a ¥2.30 trillion increase in average domestic interest-bearing deposits and a ¥1.13 trillion increase in average domestic non-interest-bearing deposits, partially offset by a ¥0.08 trillion decrease in average foreign interest-bearing deposits.

Domestic deposits increased ¥1.30 trillion from ¥56.24 trillion at March 31, 2003 to ¥57.54 trillion at March 31, 2004, while foreign deposits increased ¥1.43 trillion from ¥11.06 trillion at March 31, 2003 to ¥12.49 trillion at March 31, 2004.

Table of Contents

Although the Deposit Insurance Corporation guarantees in full all current deposits, ordinary deposits and other specified deposits until March 31, 2005, under the Deposit Insurance Law amended in December 2002, the movements toward the reduction of blanket deposit insurance to a ¥10 million maximum, have led some depositors to transfer their deposits to more financially stable banks. The increase in MTFG s average domestic deposits for the fiscal year ended March 31, 2004 partly reflected such movements.

Short-Term Borrowings

MTFG uses short-term borrowings as a funding source and in its management of interest rate risk. Short-term borrowings increased ¥6.27 trillion, or 38.1%, from ¥16.44 trillion at March 31, 2004 to ¥22.71 trillion at September 30, 2004. Short-term borrowings include call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust account and other short-term borrowings.

Payable under securities lending transactions increased ¥1.46 trillion, or 100.1%, from ¥1.46 trillion at March 31, 2004 to ¥2.92 trillion at September 30, 2004. This increase primarily reflected the lower cost of funding in the securities repurchase market.

Other short-term borrowings increased by ¥3.92 trillion primarily due to increased funding from The Bank of Japan in connection with its daily money market operations and to an increase in commercial paper issued by VIEs MTFG consolidated in accordance with FIN No. 46R.

The total average balance of short-term borrowings increased ¥3.04 trillion from ¥12.94 trillion for the fiscal year ended March 31, 2003 to ¥15.98 trillion for the fiscal year ended March 31, 2004. Short-term borrowings increased ¥2.86 billion from ¥13.58 trillion at March 31, 2003 to ¥16.44 trillion at March 31, 2004. This increase was primarily attributable to an increase of ¥2.81 trillion in other short-term borrowings primarily due to an increase of funding from The Bank of Japan in connection with its daily money market operations.

Accounts Payable

Accounts payable increased ¥1.70 trillion, or 147.9%, from ¥1.14 trillion at March 31, 2004 to ¥2.84 trillion at September 30, 2004, due primarily to the increase in Japanese government bond transactions at the end of the interim period, where delivery/payment was due after September 30, 2004.

Severance Indemnities and Pension Liabilities

MTFG has defined benefit pension plans in Japan and overseas, which cover substantially all of its employees. In Japan, MTFG has Employees Pension Fund plans, which are defined benefit plans established under the Japanese Welfare Pension Insurance Law. These plans are composed of (a) a substitutional portion based on the pay-related part of the old-age pension benefits prescribed by the Japanese Welfare Pension Insurance Law (similar to social security benefits in the U.S.) and (b) a corporate portion based on a contributory defined benefit pension arrangement established at the discretion of each employer. An employer with an Employees Pension Fund plan and its employees are exempt from contributions to Japanese Pension Insurance that would otherwise be required if they had not elected to fund the substitutional portion of the benefit through an Employees Pension Fund plan arrangement. The Employee s Pension Fund plan, in turn, pays both the corporate and substitutional pension benefits to retired beneficiaries out of its plan assets. Benefits of the substitutional portion are based on a standard remuneration scheduled as determined by the Japanese Welfare Pension Insurance Law, but the benefits of the corporate portion are based on a formula determined by each employer s Employees Pension Fund plan. In June 2001, the Japanese Welfare Insurance Law was amended to permit each employer s Employees Pension Fund plan to separate the substitutional portion from its Employees Pension Fund plan and transfer the obligation and related assets to the government. The separation process occurs in several phases.

In August 2003, the government approved Bank of Tokyo-Mitsubishi s application to transfer the obligation to pay benefits for future employee service related to the substitutional portion. Upon that approval, Bank of

Table of Contents

Tokyo-Mitsubishi began making pension insurance payments to the government and the government assumed the benefit obligations arising from future employee services. To complete the entire separation process, in August 2004, Bank of Tokyo-Mitsubishi made another application for transfer to the government of the remaining substitutional portion related to the benefit obligation for past services, but the timing of the approval is not known yet. Upon completion of the separation, the remaining substitutional obligation and related pension plan assets, determined pursuant to a government formula, will be transferred to a government agency, and Bank of Tokyo-Mitsubishi will be released from paying the remaining substitutional portion of the benefits to its employees. After the separation, both Bank of Tokyo-Mitsubishi and its employees will be required to make periodic contributions to the Japanese Pension Insurance, and the Japanese government will be responsible for all benefit payments earned under the Japanese Welfare Pension Insurance Law.

The impact on MTFG s financial statements of the transfer, which will be accounted for in accordance with EITF 03-2, discussed in Recently Issued Accounting Pronouncements, is not known and cannot be reasonably estimated until the completion of the transfer.

Funding and Liquidity

MTFG s primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have shown a historically high rollover rate among MTFG s corporate and individual depositors. Due to the economic and financial environment in Japan, as well as to MTFG s relatively high financial standing in Japan, deposits at MTFG have steadily increased during recent periods.

At September 30, 2004, MTFG s total deposits were ¥72.06 trillion, an increase of ¥2.04 trillion from ¥70.02 trillion at March 31, 2004. These deposit products provide MTFG with a sizable source of stable and low-cost funds. MTFG continuously monitors the relevant interest rate characteristics of these funds and utilize asset and liability management techniques to manage the possible impact on its net interest margin of the rollovers. MTFG s average deposits, combined with average shareholders equity, funded 68.2% of its average total assets of ¥108.61 trillion during the six months ended September 30, 2004. Most of the remaining funding was provided by short-term borrowings and long-term senior and subordinated debt. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust account and other short-term borrowings. From time to time, MTFG has issued long-term instruments such as bonds with mainly three to five years maturity. Liquidity may also be provided by sale of financial assets, including securities available for sale, trading securities and loans. Additional liquidity may be provided by the maturity of the loans outstanding.

Shareholders Equity

The following table presents a summary of MTFG s shareholders equity at March 31, 2003 and 2004 and at September 30, 2004:

	At March 31,		At September 30,
	2003	2004	2004
	(in billions, except percentages)		
Preferred stock	¥ 222.1	¥ 137.1	¥ 122.1
Common stock	984.7	1,069.7	1,084.7

Capital surplus	1,058.6	1,057.9	1,057.6
Retained earnings	407.9	1,198.0	1,287.1
Accumulated other changes in equity from nonowner sources	(111.4)	384.7	277.3
Less treasury stock, at cost	(3.3)	(2.4)	(2.5)
Total shareholders equity	¥ 2,558.6	¥ 3,845.0	¥ 3,826.3
Ratio of total shareholders equity to total assets	2.65%	3.71%	3.38%

207

Table of Contents

September 30, 2004 Compared to March 31, 2004

Total shareholders equity decreased ¥18.7 billion, or 0.5%, from ¥3,845.0 billion at March 31, 2004 to ¥3,826.3 billion at September 30, 2004. This decrease was primarily due to a decrease of ¥107.3 billion in accumulated other changes in equity from nonowner sources reflecting a decrease in net unrealized gains on investment securities available for sale.

MTFG s preferred stock decreased ¥15.0 billion from ¥137.1 billion at March 31, 2004 to ¥122.1 billion at September 30, 2004 due to the conversion of some class 2 preferred shares into common stock. Accordingly, MTFG s common stock increased ¥15.0 billion from ¥1,069.7 billion at March 31, 2004 to ¥1,084.7 billion at September 30, 2004. On October 1, 2004, MTFG redeemed 40,700 shares of the 81,400 issued shares of its class 1 preferred stock.

Due to MTFG s holding a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected MTFG s shareholders equity. The following table presents information relating to the accumulated net unrealized gains before tax effect in respect of marketable equity securities at March 31, 2004 and September 30, 2004.

	March 31, 2004	September 30, 2004
	(in billions, except percentages)	
Accumulated net unrealized gains	¥ 1,672.8	¥ 1,365.5
Accumulated net unrealized gains to total assets	1.61%	1.21%

The decrease in accumulated net unrealized gains on marketable equity securities at September 30, 2004 reflected the reduction of MTFG s marketable equity securities during the period and the general weakening of the Japanese stock market at September 30, 2004, compared to March 31, 2004.

March 31, 2004 Compared to March 31, 2003

Total shareholders equity increased ¥1,286.4 billion, or 50.3%, from ¥2,558.6 billion at March 31, 2003 to ¥3,845.0 billion at March 31, 2004, and the ratio of total shareholders equity to total assets also showed an increase of 1.06 percentage points from 2.65% at March 31, 2003 to 3.71% at March 31, 2004. The increase in total shareholders equity for the fiscal year ended March 31, 2004, and the resulting increase in the ratio to total assets, were principally attributable to an increase of ¥790.1 billion in retained earnings, resulting from net income for the fiscal year ended March 31, 2004 and an increase of ¥402.6.0 billion in net unrealized gains on investment securities available for sale, net of taxes, recorded as part of accumulated other changes in equity from nonowner sources.

Due to MTFG s holdings of a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected MTFG s shareholders equity. The following table presents information relating to the accumulated net unrealized gains before tax effect in respect of marketable equity securities at March 31, 2003 and 2004:

	At March 31,	
	2003	2004
	(in billions, except percentages)	
Accumulated net unrealized gains	¥ 724.6	¥ 1,672.8
Accumulated net unrealized gains to total assets	0.75%	1.61%

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.

Table of Contents

Capital Adequacy

MTFG is subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which MTFG operates. Failure to meet minimum capital requirements can initiate mandatory actions by regulators that, if undertaken, could have a direct material effect on MTFG s consolidated financial statements.

MTFG continually monitors its risk-adjusted capital ratio closely and manages operations in consideration of the capital ratio requirements. These ratios are affected not only by fluctuations in the value of assets, including marketable securities and deferred tax assets, but also by fluctuations in the value of the yen against the U.S. dollar and other foreign currencies and by general price levels of Japanese equity securities.

Capital Requirements for Banking Institutions in Japan

A Japanese banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. A bank holding company is also subject to the minimum capital adequacy requirements on a consolidated basis. Under the Financial Services Agency s guidelines, capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I capital generally consists of shareholders equity items, including common stock, non-cumulative preferred stocks, capital surplus, minority interests and retained earnings (which includes deferred tax assets), but recorded goodwill and other items, such as treasury stock, are deducted from Tier I capital. Tier II capital 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. Tier III capital consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

Under the Japanese regulatory capital requirements, MTFG s consolidated capital components, including Tier I, Tier II and Tier III and risk-weighted assets are calculated from its consolidated financial statements prepared under Japanese GAAP. Also, each of the consolidated and stand-alone capital components of MTFG s banking subsidiaries in Japan is calculated from consolidated and non-consolidated financial statements prepared under Japanese GAAP, respectively.

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

Capital Requirements for Banking Institutions in the United States of America

In the United States, UnionBanCal Corporation and its banking subsidiary, Union Bank of California, N.A., MTFG 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 capital adequacy guidelines and the regulatory framework for prompt corrective action, they must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under U.S. regulatory accounting practices. Their capital amounts and prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

For a detailed discussion of the capital adequacy guidelines applicable to MTFG s U.S. bank subsidiaries, see Business Supervision and Regulation United States Bank Capital Requirements and Capital Distributions.

Table of Contents

Capital Requirements for Securities Firms in Japan and Overseas

MTFG 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 March 31, 2004, Mitsubishi Securities s capital accounts, less certain illiquid assets of ¥397.8 billion, were 403.2% of total amounts equivalent to market, counterparty credit and operations risks. At September 30, 2004, Mitsubishi Securities capital accounts, less certain illiquid assets of ¥415.2 billion, were 414.2% of total amounts equivalent to market, counterparty credit and operations risks.

Mitsubishi Tokyo Financial Group Ratios

The table below presents MTFG s consolidated risk-based capital, risk-adjusted assets and risk-based capital ratios at March 31, 2003 and 2004 and September 30, 2004 (underlying figures are calculated in accordance with Japanese banking regulations based on information derived from MTFG s consolidated financial statements prepared in accordance with Japanese GAAP, as required by the Financial Services Agency of Japan):

	March 31, 2003	**March 31, 2004**	**September 30, 2004**	**Minimum capital ratios required**
		(in billions, except percentages)		
Capital components:				
Tier I capital	¥ 3,128.7	¥ 3,859.4	¥ 4,025.9	
Tier II capital includable as qualifying capital	2,847.6	3,157.9	2,818.1	
Tier III capital includable as qualifying capital	30.0	30.0		
Deductions from total qualifying capital	37.9	54.5	894.3	
Total risk-based capital	5,968.4	6,992.8	5,949.7	
Risk-weighted assets	55,049.6	53,996.8	54,457.1	
Capital ratios:				
Tier I capital	5.68%	7.14%	7.39%	4.00%
Total risk-based capital	10.84	12.95	10.92	8.00

MTFG s Tier I capital ratio increased by 0.25 percentage points from 7.14% at March 31, 2004 to 7.39% at September 30, 2004, due to MTFG s net income for the interim period. However, MTFG s total risk-based capital ratio decreased by 2.03 percentage points to 10.92% mainly due to its investments in ACOM and UFJ Bank, which decreased its total risk-based capital as those investments were deducted from its qualifying capital under Japanese regulations, and also due to the increase in its loans and investment securities, which in turn increased its risk-weighted assets.

MTFG s total risk-based capital ratio increased 2.11 percentage points from 10.84% at March 31, 2003 to 12.95% at March 31, 2004. This increase was due primarily to an increase in Tier 1 capital, which primarily resulted from an increase in retained earnings.

Table of Contents

Capital Ratios of MTFG s Subsidiary Banks in Japan

The table below presents the risk-based capital ratios of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank at March 31, 2003 and 2004 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 of Japan):

	March 31, 2003	March 31, 2004	September 30, 2004	Minimum capital ratios required
Consolidated capital ratios:				
Bank of Tokyo-Mitsubishi:				
Tier I capital	5.34%	6.52%	6.69%	4.00%
Total risk-based capital	10.43	11.97	10.56	8.00
Mitsubishi Trust Bank:				
Tier I capital	6.66	7.76	8.29	4.00
Total risk-based capital	12.00	15.03	11.71	8.00
Stand-alone capital ratios:				
Bank of Tokyo-Mitsubishi:				
Tier I capital	5.12	6.35	6.51	4.00
Total risk-based capital	10.24	12.18	10.65	8.00
Mitsubishi Trust Bank:				
Tier I capital	6.16	7.78	8.24	4.00
Total risk-based capital	11.23	15.16	11.71	8.00

As of September 30, 2004, the consolidated Tier I capital ratios of both Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank increased compared to the ratios as of March 31, 2004, due to the net income of each bank for the interim period. However, the consolidated total risk-based capital ratio decreased for both Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank mainly due to the loans that both banks made to MTFG, which decreased their total risk-based capital as those loans were deducted from their qualifying capital under Japanese regulations. Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank made loans of ¥400.0 billion and ¥300.0 billion, respectively, with regard to the investment by MTFG in UFJ Bank. The increase in loans and investment securities at Bank of Tokyo-Mitsubishi, which increased their risk-weighted assets, also was a factor to the decrease in the consolidated total risk-based capital ratio at Bank of Tokyo-Mitsubishi.

Capital Ratios of Subsidiary Banks in the United States

The table below presents the risk-based capital ratios of UnionBanCal Corporation and Union Bank of California, which are both subsidiaries of Bank of Tokyo-Mitsubishi, at December 31, 2002 and 2003 and June 30, 2004.

	December 31, 2002	December 31, 2003	June 30, 2004	Minimum capital ratios required

UnionBanCal Corporation:				
Tier I capital				
(to risk-weighted assets)	11.18%	11.31%	10.46%	4.00%
Tier I capital				
(to quarterly average assets)[1]	9.75	9.03	8.36	4.00
Total capital				
(to risk-weighted assets)	12.93	14.14	13.07	8.00

211

Table of Contents

	December 31, 2002	December 31, 2003	June 30, 2004	Minimum capital ratios required	Ratios OCC[2] requires to be well capitalized
Union Bank of California:					
Tier I capital (to risk-weighted assets)	10.37%	10.44%	10.58%	4.00%	6.00%
Tier I capital (to quarterly average assets)[1]	9.01	8.30	8.46	4.00	5.00
Total capital (to risk-weighted assets)	11.87	11.88	11.95	8.00	10.00

(1) Excludes certain intangible assets.
(2) OCC represents the Office of the Comptroller of the Currency of the United States.

MTFG s management believes that, as of December 31, 2003 and June 30, 2004, UnionBanCal Corporation and Union Bank of California met all capital adequacy requirements to which they are subject.

As of December 31, 2003 and June 30, 2004, Union Bank of California was categorized as well-capitalized under the regulatory framework for prompt corrective action in accordance with the notification from the OCC. To be categorized as well-capitalized, Union Bank of California must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that MTFG s management believes have changed Union Bank of California s category.

Off-Balance-Sheet Arrangements

In the normal course of business, MTFG engages in several types of off-balance-sheet arrangements to meet the financing needs of customers, including various types of guarantees, commitments to extend credit and commercial letters of credit. 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 MTFG s customer and a decline in the value of the underlying collateral. Since many of these contracts expire without being drawn down, the total contractual or notional amounts of these contracts do not necessarily represent MTFG s future cash requirements.

The following table summarizes these commitments at March 31, 2004:

	Amount of commitment expiration by period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total
			(in billions)		
Guarantees:					
Standby letters of credit and financial guarantees	¥ 1,074	¥ 365	¥ 260	¥ 1,048	¥ 2,747
Performance guarantees	662	327	139	85	1,213
Liquidity facilities	603				603

Derivative instruments	16,456	2,587	1,582	580	21,205
Guarantees for the repayment of trust principal	349	1,389	333	9	2,080
Liabilities of trust accounts	3,600	15	11	260	3,886
Others	309				309
Total guarantees	23,053	4,683	2,325	1,982	32,043
Other off-balance-sheet instruments:					
Commitments to extend credit	19,440	3,599	2,049	522	25,610
Commercial letters of credit	376	1			377
Other	165	1	4	53	223
Total other off-balance-sheet instruments	19,981	3,601	2,053	575	26,210
Total	¥ 43,034	¥ 8,284	¥ 4,378	¥ 2,557	¥ 58,253

Table of Contents

See note 24 to MTFG s consolidated financial statements as of March 31, 2003 and 2004 for a description of the nature of MTFG s guarantees and other off-balance-sheet instruments.

At March 31, 2004, approximately 74% of these commitments will expire within one year, 22% from one year to five years and 4% after five years. Such risks are monitored and managed as a part of MTFG s risk management system as set forth in Credit, Market and Other Risk. In addition, in accordance with SFAS No. 5, Accounting for Contingencies, MTFG evaluates off-balance-sheet arrangement in the manner described in note 1 to its consolidated financial statements.

In the aggregate, the income generated from fees and commissions is one of MTFG s most important sources of revenue. Such income amounted to ¥572.7 billion during the fiscal year ended March 31, 2004, accounting for approximately 44% of MTFG s non-interest income for the fiscal year. However, the fees generated specifically from off-balance-sheet arrangements are not a dominant source of MTFG s fees and commissions.

See note 11 to MTFG s condensed consolidated financial statements for the six-month period ended September 30, 2004 for the contractual or notional amounts of such contracts at September 30, 2004.

Some of MTFG s off-balance-sheet arrangements are related to activities of special purpose entities, most of which are VIEs. As set out in Accounting Changes Variable Interest Entities, MTFG did not apply FIN No. 46 and/or FIN No. 46R to entities created before February 1, 2003 until the six-month period ended September 30, 2004. Accordingly, such entities were not consolidated as of March 31, 2004. Off-balance-sheet arrangements include the following types of special purpose entities.

Asset-backed Commercial Paper Conduits

MTFG administers several third-party owned, multi-seller finance companies (primarily asset-backed commercial paper conduits) that purchase financial assets, primarily pools of receivables, from third-party customers. Assets purchased by these conduits are generally funded by issuing commercial paper, or partly by borrowings from MTFG or third parties. While customers basically continue to service the transferred trade receivables, MTFG underwrites, distributes, makes a market in commercial paper issued by the conduits, provides liquidity and credit support facilities to the entities. These conduits earn profits from the interest rate spread between receivables purchased and commercial paper issued. These earnings are used to cover credit losses, taxes, professional fees and other administrative expenses. The residual interest, if any, is distributed to MTFG annually in the form of back-end fees.

MTFG provides liquidity facilities that are to be used in the event of any disruption in the commercial paper market and/or to manage mismatches in cash flows between the redemption of the commercial paper and the collection of the trade receivables. In addition, MTFG provides credit support facilities for the full and timely payment of maturing commercial paper. MTFG also acts as a dealer for the commercial paper program and distributes it primarily to institutional investors. MTFG occasionally holds the commercial paper in its trading account portfolio before marketing them to third party investors. The average holding period of the commercial paper before distribution to third party investors is approximately 9 days.

The total assets of the special purpose entities to which MTFG provides liquidity facilities were ¥3,182.3 billion at March 31, 2003 and ¥3,105.3 billion at March 31, 2004. MTFG provided liquidity and credit

213

Table of Contents

enhancements that were available for the redemption of outstanding commercial paper in the amounts of ¥2,418.8 billion at March 31, 2003 and ¥2,337.7 billion at March 31, 2004. MTFG also held in its portfolio of trading securities commercial paper issued by these entities in the amounts of ¥1,058.1 billion at March 31, 2003 and ¥1,423.6 at March 31, 2004. Moreover, MTFG provided liquidity advance fund in the amount of ¥151.7 billion at March 31, 2004.

Securitization Conduits of Client Properties

MTFG administers several third-party owned conduits that purchase clients assets, primarily buildings and lands, from third-party customers. Assets purchased by these conduits are generally funded by investments under partnership agreements from customers or by borrowings from MTFG or third-parties. While the customers basically continue to use the transferred real estate by lease-back agreements, the customers that invest in conduits absorb the expected losses of the conduits. With regard to transactions with these entities, MTFG earns fee in return for administration and interest on loan to the entities.

MTFG, as a non-primary beneficiary, had variable interests in this type of entities, with total assets of ¥1,031.3 billion as of March 31, 2004, and is exposed to maximum loss of ¥282.0 billion, which will realize in case MTFG s loan to entities are not collected unexpectedly.

Investment Funds

MTFG holds equity or other forms of interest in various investment funds that invest in equity and debt securities, including listed Japanese securities and investment grade bonds and, to a limited extent, other types of assets. In addition to such interests, MTFG has commitments to provide additional investments to these funds as stipulated in the applicable investment agreements. MTFG intends to seek gain on its investment into such funds, while MTFG is exposed to the risk of losing the value of its investment.

MTFG occasionally sells assets such as nonperforming loans to these funds, in particular the Corporate Recovery Fund, when it believes that such sale may improve its asset quality.

Corporate Recovery Fund. MTFG has non-controlling equity interests in corporate recovery funds whose principal business purpose is to generate profits by investing in companies in the process of restructuring and then, typically, selling these investments after the companies complete their restructurings. Such funds purchase nonperforming loans from MTFG or others and in some cases acquire majority ownership in the borrower companies by means of a debt-for-equity swap. MTFG s non-voting interests in these funds amounted to ¥7.3 billion at March 31, 2003 and ¥35.9 billion at March 31, 2004, respectively. In addition, at March 31, 2004, MTFG had commitments to make additional contributions of up to ¥20.3 billion to these funds.

The total assets of the corporate recovery funds in which MTFG has interests were approximately ¥21.1 billion at March 31, 2003 and ¥127.6 billion at March 31, 2004. MTFG sold to corporate recovery funds nonperforming loans with an aggregate net book value of ¥7.0 billion for ¥4.1 billion during the fiscal year ended March 31, 2003 and an aggregate net book value of ¥2.2 billion for ¥1.6 billion during the fiscal year ended March 31, 2004. For a detailed discussion on additional provisions for credit losses associated with the sale of such loans, see Financial Condition Allowance for Credit Losses, Nonperforming and Past Due Loans.

Venture Capital Fund. MTFG owns non-controlling equity interests in investment funds managed by fund management companies who have discretionary investment powers. These funds seek to invest in start-up companies or companies that are rapidly developing. The aggregate assets of these funds were approximately ¥1,900.1 billion at March 31, 2004. MTFG made contributions to these funds amounting to ¥93.2 billion at March 31, 2004. At March 31, 2004, in accordance with the applicable limited partnership agreements, MTFG had commitments to make additional contributions of up to ¥28.4 billion when required by the fund management companies.

Table of Contents

Investment Trust. MTFG purchases the share units of investment trusts as mid- to long-term investments. These investment trusts are managed by investment advisory companies with the objective of investing in a diversified portfolio consisting of equity and debt securities, primarily shares of Japanese public companies. At March 31, 2004, MTFG s share units in investment trusts amounted to approximately ¥596.2 billion, which is equal to its maximum loss exposure. Generally, MTFG is not obligated to invest in or extend funds by purchasing additional share units and its off-balance-sheet exposures or commitments relating to this type of special purpose entity were not material.

Special Purpose Entities Created for Structured Financing

MTFG 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. MTFG 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. MTFG earns profit by arrangement fee and interest on non-recourse asset-backed loans to these entities.

MTFG, as a non-primary beneficiary, had variable interests in this type of entities, with total assets of ¥10,960.1 billion, as of March 31, 2004, and is exposed to maximum loss of ¥650.2 billion, which will possibly realize if its loans to entities are not collected in accordance with the contractual terms.

Trust Products

MTFG 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, MTFG manages and administers the assets on behalf of the customers in an agency, fiduciary and trust capacity. In principle, MTFG does not assume the risks associated with the entrusted assets, which are borne by the customers. However, in limited cases MTFG assumes risks through guarantees or certain protections as provided in the applicable trust agreement. Fees on trust products that MTFG offered for the fiscal years ended March 31, 2003 and 2004 were ¥103.8 billion and ¥90.0 billion, respectively.

Repackaged Instruments

MTFG repackages financial instruments to create new financial instruments with features that match its customers needs and preferences. MTFG 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 MTFG or other financial institutions to modify the cash flows of the underlying financial instruments. MTFG underwrites and markets to its customers the new instruments issued by the special purpose entities. With regard to transactions with these entities, MTFG earns revenues by sales of securities, derivative transactions or arrangement fee. In addition, MTFG may purchase asset-backed securities and credit linked notes issued by entities managed by third parties. At March 31, 2004, the total assets of these entities were estimated as ¥5,333.7 billion and MTFG s maximum exposure to loss as a result of its involvement with such entities were estimated as ¥575.8 billion.

See note 12 to MTFG s condensed consolidated financial statements for the six-month period ended September 30, 2004 for MTFG s involvement in VIEs.

215

Table of Contents

Contractual Cash Obligations

In the normal course of its business, MTFG enters into contractual agreements whereby it commits to future purchases of products or services from unaffiliated parties. The following table shows a summary of MTFG s 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	¥ 26,701	¥ 6,975	¥ 1,658	¥ 57	¥ 35,391
Debentures	266				266
Long-term debt	590	1,365	813	2,840	5,608
Capital lease obligations	18	25	6	3	52
Operating leases	24	44	36	56	160
Purchase obligations	145	7	4	35	191
Total	¥ 27,744	¥ 8,416	¥ 2,517	¥ 2,991	¥ 41,668

Purchase obligations include any legally binding contractual obligations that require MTFG to spend more than ¥100 million annually under the contract. Purchase obligations in the table primarily include commitments to make investments into ACOM, a partner of MTFG s strategic business alliance, and corporate recovery or private equity investment funds.

Non-exchange Traded Contracts Accounted for at Fair Value

The use of non-exchange traded or over-the-counter contracts provides MTFG with the ability to adapt to the varied requirements of a wide customer base while mitigating market risks. Non-exchange traded contracts are accounted for at fair value, which is generally based on pricing models or quoted market prices for instruments with similar characteristics. Gains or losses on non-exchange traded contracts are included in Trading account profits net in MTFG s consolidated statements of operations. These contracts consist primarily of crude oil commodity contracts. The following table summarizes the changes in fair value of non-exchange traded contracts for the fiscal years ended March 31, 2003 and 2004:

	Fiscal years ended March 31,	
	2003	2004
	(in millions)	
Net fair value of contracts outstandings at beginning of fiscal year	¥ (568)	¥ 10,275
Changes attributable to contracts realized or otherwise settled during the fiscal year	(3,599)	(8,467)
Fair value of new contracts when entered into during the fiscal year	(8)	(23)
Other changes in fair value, principally revaluation at end of fiscal year	14,450	10,269

Net fair value of contracts outstandings at end of fiscal year	¥ 10,275	¥ 12,054

During the fiscal years ended March 31, 2003 and 2004, the fair value of non-exchange traded contracts increased primarily due to an increase in the fair value of oil commodity contracts indexed to the Brent crude oil and WTI crude oil prices, reflecting political factors in the Middle East and other factors.

Table of Contents

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2004:

	Net fair value of contracts unrealized gains	
	Prices actively quoted	Prices based on models and other valuation methods
	(in millions)	
Maturity less than 1 year	¥ 5,415	¥ 167
Maturity less than 3 years	2,284	238
Maturity less than 5 years	1,321	189
Maturity 5 years or more	2,440	
Total fair values	¥ 11,460	¥ 594

Credit, Market and Other Risk

Rapid and extensive changes in the Japanese banking environment make risk management a continual challenge. Many of these changes arise from continuing economic and financial globalization and further advances in information technology. MTFG s business opportunities are expanding and competition is increasing. MTFG is affected by ongoing reforms in the Japanese financial system, such as changes that allow for the integration of operations, business alliances across different industries and new entrants into the industries in which MTFG participates. These and other changes contribute to the risks MTFG faces.

MTFG faces credit risks, market risks, liquidity risks, operations risks, information security risks and other risks. MTFG manages these risks through its risk management system. The risks MTFG faces may be broadly divided into two types. One type consists of credit and market risks that are inherent in MTFG s profit-seeking activities. The second type involves risks associated with MTFG s own operations. MTFG s management goal is to achieve a balance between earnings and risks. For this purpose, MTFG has instituted an integrated risk management policy throughout the group to identify, quantify, control, monitor and manage risk using consistent standards and techniques in each of the businesses.

Risk Management System

MTFG has an integrated risk management framework. The holding company and each of the subsidiary banks have their own chief risk officers and risk management divisions, which are independent of their respective operational segments.

MTFG determines the group-wide risk management policy at the holding company level, and the subsidiary banks implement the policy accordingly. The holding company seeks to raise group-wide risk awareness, integrate and improve the group s risk management framework, allocate risk capital appropriately and eliminate specific concentrations of risk. MTFG s board of directors is responsible for the group-wide risk management and control principles, and the boards of directors of the subsidiary banks are responsible for the respective bank s risk management and control principles.

At the holding company level, the following subcommittees of MTFG s executive committee review and evaluate key risks relating to the group: corporate risk management committee and credit & investment committee. MTFG s corporate risk management division and credit & investment management division, which report directly to the chief risk management officer and these committees, monitor the risks in the day-to-day operations of the group as a whole. Other committees, offices and divisions at each of the subsidiary banks monitor and manage their own risks.

Integrated Risk Management

MTFG employs a capital allocation system that assists it in managing its risks in relation to its profit targets and expected returns. MTFG allocates economic capital to each of its subsidiary banks based on quantitative risk,

Table of Contents

type of risk and business group. Economic capital is calculated from credit risk, market risk, operational risk and equity portfolio risk. Capital allocation decisions are made semiannually in consultation with its subsidiary banks, and MTFG monitors and manages these allocations constantly. MTFG adopted a risk adjusted performance measurement as its management tool. This measurement enables MTFG to better assess its profitability and efficiency relative to its risks.

Credit Risk Management

Credit risk is the risk that MTFG will be unable to collect the amount due to it on the due date of a particular obligation as a result of the deterioration of the borrower s financial condition. Credit risk is realized when a credit instrument previously extended to a borrower loses part or all of its value. This in turn exposes MTFG to financial loss. MTFG has established an internal framework to maintain its asset quality, manage credit risk exposure and achieve earnings commensurate with the risks undertaken by it.

Quantitative Analysis of Credit Risk

Using a highly complex model, MTFG analyzes its credit risk quantitatively. This model measures credit risk based on historical data relating to credit amounts, default rates and recovery rates that MTFG has collected from its subsidiary banks and takes into account the correlation among borrowers default probabilities. MTFG manages its credit risk based upon this analysis.

Portfolio Management

MTFG works to achieve earnings commensurate with the risk levels undertaken by it. MTFG s strategy is to price its products based upon expected losses, as determined in accordance with its internal credit rating system. At the same time, by monitoring loan amounts and credit exposure by credit rating, type of business and region, it seeks to avoid a concentration of its credit risks in specific categories. MTFG regularly holds a committee to specifically discuss issues relating to credit concentration.

MTFG has a specialized unit that sets credit ceilings by country to address and manage country risk. MTFG regularly reviews these credit ceilings and adjust them when credit conditions change materially in any country.

Credit Risk Management System

MTFG closely monitors and supervises the credit portfolios of its subsidiary banks. MTFG seeks to identify problem credits at an early stage. MTFG uses the same credit rating and self-assessment system for its subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

Under MTFG s credit risk management system, each subsidiary bank manages its own credit risk on a global consolidated basis, and MTFG oversees and manages credit risks on a group-wide basis.

At each of its subsidiary banks, MTFG has in place a system of checks and balances in which a credit administration section that is independent of the business development sections screens individual transactions and manages the extension of credit. Additionally, MTFG s management regularly holds investment and financial meetings and credit and investment council meetings to review important matters related to credit risk management.

Credit Rating System

MTFG uses a credit rating system with a scale of 1 to 15 to evaluate credit risk, as set out in the table below. Based on this system, MTFG conducts a self-assessment of its assets and a quantitative risk measurement of credit risk, manages its loan portfolio and determine its pricing strategy. The credit rating system, which is based

Table of Contents

on the concept of probabilities of default, is consistent with both the method of evaluating credit risk under the new Basel Capital Accord and those of third-party credit rating agencies. MTFG s credit rating system is also designed to conform to the regulatory authorities risk grading standards for classified loans. MTFG s subsidiary banks constantly monitor changes in all of its customers creditworthiness and change ratings if necessary, so that they perform accurate assessment of their own assets. With respect to country risk, MTFG assesses each country using ten alphanumeric grades and determine a country risk rating.

	Credit rating				
	1-9	10-12	13	14	15
Borrower grade	Normal	Close Watch(1)	Likely to Become Bankrupt(2)	Virtually Bankrupt(3)	Bankrupt(3)

(1) Borrowers classified as Close Watch require close scrutiny because their business performance is unstable or their financial condition is unfavorable. Borrowers ranked 10, 11, and 12 correspond with Needs Attention and borrowers ranked 12 also correspond with Special Attention, a subcategory of Needs Attention, under the Financial Services Agency s classification.

(2) Borrowers classified as Likely to Become Bankrupt are not yet bankrupt, but are in financial difficulty with poor progress in achieving their business restructuring plans or are likely to become bankrupt in the future. Borrowers ranked 13 correspond with In Danger of Bankruptcy under the Financial Services Agency s classification.

(3) Borrowers classified as Virtually Bankrupt and Bankrupt are considered to be virtually bankrupt or are legally bankrupt. Borrowers ranked 14 and 15 correspond with De Facto Bankrupt and Bankrupt, respectively, under the Financial Services Agency s classification.

Risk Management of Strategic Equity Portfolio

Through its banking subsidiaries, MTFG holds shares in some of its clients for strategic purposes, in particular to maintain long-term relationships with these clients. The