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----------- -- Average Average rate Average Average rate balance Interest (Annualized) balance Interest (Annualized) -------------- ------------- ------------ -------------- ------------ ------------ (in millions, except percentages) Assets: Interest-earning assets: Interest-earning deposits in other banks................................ (Yen) 5,533,901 (Yen) 96,233 3.47% (Yen) 3,475,664 (Yen) 41,077 2.36% Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions 5,642,440 102,160 3.61 3,994,051 31,173 1.56 Trading account assets................. 3,903,514 7,844 0.40 4,444,002 4,706 0.21 Investment securities (see Note 1)..... 20,937,232 207,379 1.98 24,091,386 196,536 1.63 Loans (see Note 2)..................... 49,196,023 675,006 2.74 49,550,365 544,972 2.19 -------------- ------------- ---- -------------- ------------ ---- Total interest-earning assets.......... 85,213,110 1,088,622 2.55 85,555,468 818,464 1.91 -------------- ------------- ---- -------------- ------------ ---- Non-interest-earning assets: Cash and due from banks................ 1,374,675 1,745,596 Other non-interest-earning assets...... 8,408,015 7,341,140 Allowance for credit losses............ (1,690,972) (1,701,469) -------------- -------------- Total non-interest-earning assets...... 8,091,718 7,385,267 -------------- -------------- Total average assets.................... (Yen)93,304,828 (Yen)92,940,735 ============== ============== Liabilities and Shareholders' Equity: Interest-bearing liabilities: Deposits.............................. (Yen)55,085,177 296,623 1.07 (Yen)58,325,956 130,277 0.45 Debentures............................ 3,223,235 11,834 0.73 1,787,337 5,657 0.63 Call money, funds purchased, and payables under repurchase agreements and securities lending transactions.. 8,702,063 116,534 2.67 8,293,538 53,949 1.30 Due to trust account, other short-term borrowings and trading account liabilities.......................... 6,870,397 25,963 0.75 5,137,591 18,928 0.73 Long-term debt......................... 5,076,841 96,563 3.79 4,994,319 76,937 3.07 -------------- ------------- ---- -------------- ------------ ---- Total interest-bearing liabilities..... 78,957,713 547,517 1.38 78,538,741 285,748 0.73 -------------- ------------- ---- -------------- ------------ ---- Non-interest-bearing liabilities....... 11,317,767 11,867,828 -------------- -------------- Shareholders' equity................... 3,029,348 2,534,166 -------------- -------------- Total average liabilities and shareholders' equity................. (Yen)93,304,828 (Yen)92,940,735 ============== ============== Net interest income and average interest rate spread................. (Yen) 541,105 1.17% (Yen)532,716 1.18% ============= ==== ============ ==== Net interest income as a percentage of total average interest-earning assets 1.27% 1.24% ==== ==== -------- Notes: 1. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material. 2. Average balances of loans include nonaccrual and restructured loans. See "--III. Loan Portfolio." The amortized portion of net loan origination fees (costs) is included in interest income on loans, representing an adjustment to the yields with insignificant effect. A-1 The following table shows our average balances, interest and average interest rates for the last three fiscal years. Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages. The average balances determined by such methods are considered to be representative of our operations. Years Ended March 31, --- 2000 2001 ------------------------------------- ------------------------------------- Average Average Average Average balance Interest rate balance Interest rate -------------- ------------- ------- -------------- ------------- ------- (in millions, except percentages) Assets: Interest-earning assets: Interest-earning deposits in other banks: Domestic...................... (Yen) 284,958 (Yen) 7,223 2.53% (Yen) 402,084 (Yen) 14,013 3.49% Foreign....................... 3,986,517 129,107 3.24 5,275,074 222,613 4.22 -------------- ------------- -------------- ------------- Total........................ 4,271,475 136,330 3.19 5,677,158 236,626 4.17 -------------- ------------- -------------- ------------- Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions: Domestic...................... 2,152,650 7,923 0.37 2,473,617 11,454 0.46 Foreign....................... 1,856,035 111,447 6.00 2,620,118 173,050 6.60 -------------- ------------- -------------- ------------- Total........................ 4,008,685 119,370 2.98 5,093,735 184,504 3.62 -------------- ------------- -------------- ------------- Trading account assets: Domestic...................... 2,157,629 7,010 0.32 2,676,732 12,541 0.47 Foreign....................... 625,533 8,696 1.39 607,061 4,413 0.73 -------------- ------------- -------------- ------------- Total........................ 2,783,162 15,706 0.56 3,283,793 16,954 0.52 -------------- ------------- -------------- ------------- Investment securities (see Note 1): Domestic...................... 15,813,885 164,655 1.04 15,684,644 128,838 0.82 Foreign....................... 3,974,410 235,511 5.93 4,090,733 239,843 5.86 -------------- ------------- --------------

------------- Total....................... 19,788,295 400,166 2.02 19,775,377 368,681 1.86 -------------- ------------- -------------- ------------- Loans (see Note 2): Domestic..................... 41,942,695 780,633 1.86 39,938,817 748,113 1.87 Foreign...................... 10,371,711 713,438 6.88 9,627,502 728,096 7.56 -------------- ------------- -------------- ------------- Total....................... 52,314,406 1,494,071 2.86 49,566,319 1,476,209 2.98 -------------- ------------- -------------- ------------- Total interest-earning assets: Domestic..................... 62,351,817 967,444 1.55 61,175,894 914,959 1.50 Foreign...................... 20,814,206 1,198,199 5.76 22,220,488 1,368,015 6.16 -------------- ------------- -------------- ------------- Total....................... 83,166,023 2,165,643 2.60 83,396,382 2,282,974 2.74 -------------- ------------- -------------- ------------- Non-interest-earning assets: Cash and due from banks........ 1,362,465 1,272,323 Other non-interest-earning assets....................... 3,911,447 6,152,635 Allowance for credit losses.... (1,819,290) (1,479,857) -------------- -------------- Total non-interest- earning assets............. 3,454,622 5,945,101 -------------- -------------- Total average assets............ (Yen)86,620,645 (Yen)89,341,483 ============== ============== Years Ended March 31 ------------------------------------ 2002 ------------------------------------ Average Average balance Interest rate -------------- ------------- ------- Assets: Interest-earning assets: Interest-earning deposits in other banks: Domestic..................... (Yen) 472,188 (Yen) 8,690 1.84% Foreign...................... 4,862,738 151,094 3.11 -------------- ------------- Total....................... 5,334,926 159,784 3.00 -------------- ------------- Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions: Domestic..................... 2,008,863 6,341 0.32 Foreign...................... 2,895,879 159,478 5.51 -------------- ------------- Total....................... 4,904,742 165,819 3.38 -------------- ------------- Trading account assets: Domestic..................... 3,165,218 11,525 0.36 Foreign...................... 720,614 3,619 0.50 -------------- ------------- Total....................... 3,885,832 15,144 0.39 -------------- ------------- Investment securities (see Note 1): Domestic..................... 16,142,601 128,352 0.80 Foreign...................... 5,794,882 271,041 4.68 -------------- ------------- Total....................... 21,937,483 399,393 1.82 -------------- ------------- Loans (see Note 2): Domestic..................... 38,035,043 661,904 1.74 Foreign...................... 11,094,350 614,917 5.54 -------------- ------------- Total....................... 49,129,393 1,276,821 2.60 -------------- ------------- Total interest-earning assets: Domestic..................... 59,823,913 816,812 1.37 Foreign...................... 25,368,463 1,200,149 4.73 -------------- ------------- Total....................... 85,192,376 2,016,961 2.37 -------------- ------------- Non-interest-earning assets: Cash and due from banks........ 1,487,867 Other non-interest-earning assets....................... 7,423,316 Allowance for credit losses.... (1,727,559) -------------- Total non-interest- earning assets............. 7,183,624 -------------- Total average assets............ (Yen)92,376,000 ============== -------- Notes: 1. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material. 2. Average balances of loans include nonaccrual and restructured loans. See "--III. Loan Portfolio." The amortized portion of net loan origination fees (costs) is included in interest income on loans, representing an adjustment to the yields with insignificant effect. A-2 Years Ended March 31, -- 2000 2001 ---------------------------------- ----------------------------------- Average Average Average Average balance Interest rate balance Interest rate -------------- ------------- ------- -------------- ------------- ------- (in millions, except percentages) Liabilities and shareholders' equity: Interest-bearing liabilities: Deposits: Domestic............................ (Yen)41,147,676 (Yen) 209,104 0.51% (Yen)41,178,462 (Yen) 245,180 0.60% Foreign............................. 11,244,201 391,003 3.48 11,552,974 529,332 4.58 -------------- ------------- -------------- ------------- Total.............................. 52,391,877 600,107 1.15 52,731,436 774,512 1.47 -------------- ------------- -------------- ------------- Debentures--Domestic.................. 4,931,852 51,718 1.05 3,915,720 32,285 0.82 -------------- ------------- -------------- ------------- Call money, funds purchased, and payables under repurchase agreements and securities lending transactions: Domestic............................ 2,756,197 13,014 0.47 4,074,516 66,475 1.63 Foreign............................. 2,392,563 112,443 4.70 3,127,256 194,210 6.21 -------------- ------------- -------------- ------------- Total.............................. 5,148,760 125,457 2.44 7,201,772 260,685 3.62 -------------- ------------- -------------- ------------- Due to trust account-- Domestic........ 4,181,966 32,413 0.78 4,023,941 27,825 0.69 -------------- ------------- -------------- ------------- Other short-term borrowings and trading account liabilities: Domestic............................ 2,738,601 41,590 1.52 2,125,283 18,173 0.86 Foreign............................. 849,927 42,759 5.03 874,676 19,057 2.18 -------------- ------------- -------------- ------------- Total.............................. 3,588,528 84,349 2.35 2,999,959 37,230 1.24 -------------- ------------- -------------- ------------- Long-term debt: Domestic............................ 1,904,487 69,810 3.67 2,730,602 91,182 3.34 Foreign............................. 2,418,698 122,272 5.06 2,146,354 86,899 4.05 -------------- ------------- -------------- ------------- Total..............................

4,323,185 192,082 4.44 4,876,956 178,081 3.65 --------------- -------------- --------------- -------------- Total interest-bearing liabilities: Domestic............................ 57,660,779 417,649 0.72 58,048,524 481,120 0.83 Foreign............................. 16,905,389 668,477 3.95 17,701,260 829,498 4.69 --------------- -------------- --------------- -------------- Total.............................. 74,566,168 1,086,126 1.46 75,749,784 1,310,618 1.73 --------------- -------------- --------------- -------------- Non-interest-bearing liabilities........ 8,454,881 10,127,448 --------------- --------------- Shareholders' equity................... 3,599,596 3,464,251 --------------- --------------- Total average liabilities and shareholders' equity.................. (Yen)86,620,645 (Yen)89,341,483 =============== =============== Net interest income and average interest rate spread.................. (Yen)1,079,517 1.14% (Yen) 972,356 1.01% ============= ==== ============= ==== Net interest income as a percentage of total average interest-earning assets.. 1.30% 1.17% ==== ==== Years Ended March 31, ------------------------------------ 2002 ---------------------------------- Average Average balance Interest rate --------------- -------------- ------- Liabilities and shareholders' equity: Interest-bearing liabilities: Deposits: Domestic............................ (Yen)44,807,025 (Yen) 157,484 0.35% Foreign............................. 10,982,859 328,159 2.99 --------------- -------------- Total.............................. 55,789,884 485,643 0.87 --------------- -------------- Debentures--Domestic.................. 2,931,103 20,491 0.70 --------------- -------------- Call money, funds purchased, and payables under repurchase agreements and securities lending transactions: Domestic............................ 5,392,511 23,944 0.44 Foreign............................. 3,603,909 176,396 4.89 --------------- -------------- Total.............................. 8,996,420 200,340 2.23 --------------- -------------- Due to trust account-- Domestic........ 2,940,975 16,683 0.57 --------------- -------------- Other short-term borrowings and trading account liabilities: Domestic............................ 2,071,577 15,784 0.76 Foreign............................. 1,001,886 30,783 3.07 --------------- -------------- Total.............................. 3,073,463 46,567 1.52 --------------- -------------- Long-term debt: Domestic............................ 3,007,228 89,028 2.96 Foreign............................. 2,010,632 80,311 3.99 --------------- -------------- Total.............................. 5,017,860 169,339 3.37 --------------- -------------- Total interest-bearing liabilities: Domestic............................ 61,150,419 323,414 0.53 Foreign............................. 17,599,286 615,649 3.50 --------------- -------------- Total.............................. 78,749,705 939,063 1.19 --------------- -------------- Non-interest-bearing liabilities........ 10,580,687 --------------- Shareholders' equity................... 3,045,608 --------------- Total average liabilities and shareholders' equity.................. (Yen)92,376,000 =============== Net interest income and average interest rate spread.................. (Yen)1,077,898 1.18% ============= ==== Net interest income as a percentage of total average interest-earning assets.. 1.27% ==== The percentage of total average assets attributable to foreign activities was 26.3%, 28.7% and 33.6%, respectively, in the fiscal years ended March 31, 2000, 2001 and 2002. The percentage of total average liabilities attributable to foreign activities was 27.5%, 29.9% and 33.9% in the fiscal years ended March 31, 2000, 2001 and 2002. A-3 Analysis of Net Interest Income The following table shows changes in our net interest income between changes in volume and changes in rate for the six months ended September 30, 2001 compared to the six months ended September 30, 2002: Six Months Ended September 30, 2001 versus Six Months Ended September 30, 2002 -- Increase (decrease) due to changes in ------------------------------------ Volume Rate Net Change ----------------- ----------------- ----------------- (in millions) Interest income: Interest-earning deposits in other banks..................... (Yen)(32,966) (Yen)(22,190) (Yen)(55,156) Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions........... (9,072) (61,915) (70,987) Trading account assets....................................... 428 (3,566) (3,138) Investment securities (see Note 2).......................... 33,348 (44,191) (10,843) Loans.. (109) (129,925) (130,034) ----------------- ----------------- ----------------- Total interest income...................................... (Yen) (8,371) (Yen) (261,787) (Yen) (270,158) ================= ================= ================= Interest expense: Deposits.. (Yen)(26,227) (Yen)(140,119) (Yen) (166,346) Debentures... (5,151) (1,026) (6,177) Call money, funds purchased, and payables under repurchase agreements and securities lending transactions... (19) (62,566) (62,585) Due to trust account, other short-term borrowings and trading account liabilities....................................... (8,343) 1,308 (7,035) Long-term debt... (4,691) (14,935) (19,626) ----------------- ----------------- ----------------- Total interest expense...................................... (Yen) (44,431) (Yen) (217,338) (Yen) (261,769) ================= ================= ================= Net interest income... (Yen) 36,060 (Yen) (44,449) (Yen) (8,389) ================= ================= ================= -------- Notes: 1. Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change." 2. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material. A-4 The following table shows changes in our net interest income between changes in volume and changes in rate for the fiscal year ended March 31, 2000 compared to the fiscal year ended March 31, 2001 and the fiscal year ended March 31, 2001 compared to the fiscal year ended March 31, 2002. Year Ended March 31, 2000 versus Year Year Ended March 31, 2001 versus Year Ended March 31, 2001 Ended March 31, 2002 ------------------------------------ ------------------------------------- Increase (decrease) Increase (decrease) due to changes in due to changes in ------------------------ ------------------------- Volume Rate Net change Volume Rate Net change ----------- ----------- ----------- ----------- ------------ ------------ (in millions) Interest income: Interest-earning deposits in other banks: Domestic....................... (Yen) 3,551 (Yen) 3,239 (Yen) 6,790 (Yen) 1,290 (Yen) (6,613) (Yen) (5,323) Foreign........................ 48,258 45,248 93,506 (13,690) (57,829) (71,519) ------------ ------------ ------------ ----------- ------------ ------------ Total...................... 51,809 48,487 100,296 (12,400) (64,442) (76,842) ------------ ----------- ----------- ----------- ------------ ------------ Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions: Domestic....................... 1,293 2,238 3,531 (1,694) (3,419) (5,113) Foreign........................ 49,569 12,034 61,603 15,186 (28,758) (13,572) ----------- ----------- ----------- ----------- ------------ ------------ Total...................... 50,862 14,272 65,134 13,492 (32,177) (18,685) ------------ ------------ ----------- ----------- ------------ ------------ Trading account assets: Domestic....................... 1,949 3,582 5,531 1,779 (2,795) (1,016) Foreign........................ (138) (4,145) (4,283) 570 (1,364) (794) ------------ ----------- ------------ ------------ ------------ ------------ Total...................... 1,811 (563) 1,248 2,349 (4,159) (1,810) ------------ ------------ ----------- ----------- ------------ ------------ Investment securities (see Note 2): Domestic....................... (1,070) (34,747) (35,817) 3,641 (4,127) (486) Foreign........................ 6,820 (2,488) 4,332 79,707 (48,509) 31,198 ------------ ------------ ------------ ----------- ------------ ------------ Total...................... 5,750 (37,235) (31,485) 83,348 (52,636) 30,712 ------------ ----------- ----------- ----------- ------------ ------------ Loans: Domestic....................... (37,296) 4,776 (32,520) (34,132) (52,077) (86,209) Foreign........................ (51,192) 65,850 14,658 81,302 (194,481) (113,179) ------------ ----------- ----------- ----------- ------------ ------------ Total...................... (88,488) 70,626 (17,862) 47,170 (246,558) (199,388) ------------ ----------- ----------- ----------- ------------ ------------ Total interest income: Domestic....................... (31,573) (20,912) (52,485) (29,116) (69,031) (98,147) Foreign........................ 53,317 116,499 169,816 163,075 (330,941) (167,866) ------------ ----------- ----------- ----------- ------------ ------------ Total...................... (Yen) 21,744 (Yen) 95,587 (Yen)117,331 (Yen)133,959 (Yen)(399,972) (Yen)(266,013) =========== =========== =========== =========== ============ ============ -------- Notes: 1. Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change." 2. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material. A-5 Year Ended March 31, 2000 versus Year Year Ended March 31, 2001 versus Year Ended March 31, 2001 Ended March 31, 2002 -------------------------------------- ------------------------------------- Increase (decrease) Increase (decrease) due to changes in due to changes in ------------------------ ------------------------- Volume Rate Net change Volume Rate Net change ----------- ----------- ------------ ----------- ------------ ------------ (in millions) Interest expense: Deposits: Domestic.................... (Yen) 157 (Yen) 35,919 (Yen) 36,076 (Yen) 12,753 (Yen)(100,449) (Yen) (87,696) Foreign.................... 11,009 127,320 138,329 (17,840) (183,333) (201,173) ------------ ----------- ------------ ----------- ------------ ------------ Total.................. 11,166 163,239 174,405 (5,087) (283,782) (288,869) ------------ ------------ ------------ ----------- ------------ ------------ Debentures--Domestic........... (9,490) (9,943) (19,433) (7,688) (4,106) (11,794) ------------ ----------- ------------ ----------- ------------ ------------ Call money, funds purchased, and payables under repurchase agreements and securities lending transactions: Domestic.................... 8,717 44,744 53,461 5,852 (48,383) (42,531) Foreign.................... 39,951 41,816 81,767 23,330 (41,144) (17,814) ------------ ------------ ------------ ----------- ------------ ------------ Total.................. 48,668 86,560 135,228 29,182 (89,527) (60,345) ------------ ----------- ------------ ----------- ------------ ------------ Due to trust account--Domestic............ (1,125) (3,463) (4,588) (6,987) (4,155) (11,142) ------------ ----------- ------------ ----------- ------------ ------------ Other short-term borrowings and trading account liabilities: Domestic.................... (6,348) (17,069) (23,417) (418) (1,971) (2,389) Foreign.................... 539 (24,241) (23,702) 3,069 8,657 11,726 ------------ ------------ ------------ ------------ ------------ ------------ Total.................. (5,809) (41,310) (47,119) 2,651 6,686 9,337 ------------ ----------- ------------ ----------- ------------ ------------ Long-term debt: Domestic.................... 27,586 (6,214) 21,372 8,189 (10,343) (2,154)

Foreign.................... (11,953) (23,420) (35,373) (5,483) (1,105) (6,588) ------------ ------------ ------------- ------------ ------------- ------------- Total.................. 15,633 (29,634) (14,001) 2,706 (11,448) (8,742) ------------ ------------ ------------- ------------ ------------- ------------- Total interest expense: Domestic.................... 19,497 43,974 63,471 11,701 (169,407) (157,706) Foreign.................... 39,546 121,475 161,021 3,076 (216,925) (213,849) ------------ ------------ ------------- ------------ ------------ ------------ Total.................. (Yen) 59,043 (Yen)165,449 (Yen) 224,492 (Yen) 14,777 (Yen)(386,332) (Yen)(371,555) ============ ============ ============= ============ ============= ============= Net interest income: Domestic.................... (Yen)(51,070) (Yen)(64,886) (Yen)(115,956) (Yen)(40,817) (Yen) 100,376 (Yen) 59,559 Foreign.................... 13,771 (4,976) 8,795 159,999 (114,016) 45,983 ------------ ------------ ------------- ------------ ------------ ------------ Total.................. (Yen)(37,299) (Yen)(69,862) (Yen)(107,161) (Yen)119,182 (Yen) (13,640) (Yen) 105,542 ============ ============ ============= ============ ============= ============= -------- Note--Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change." A-6 II. Investment Portfolio The following table shows information as to the value of our investment securities available for sale and being held to maturity at March 31, 2002 and September 30, 2002: At March 31, 2002 At September 30, 2002 -- -- Net Net Amortized Estimated unrealized Amortized Estimated unrealized cost fair value gains cost fair value gains -------------- -------------- ------------- -------------- -------------- ------------- (in millions) Securities available for sale: Debt securities, principally Japanese government bonds and corporate bonds................ (Yen)17,478,446 (Yen)17,794,325 (Yen) 315,879 (Yen)18,659,112 (Yen)18,912,886 (Yen) 253,774 Equity securities................ 3,877,975 5,488,491 1,610,516 3,368,904 4,481,764 1,112,860 -------------- -------------- ------------- -------------- -------------- ------------- Total securities available for sale........................... 21,356,421 23,282,816 1,926,395 22,028,016 23,394,650 1,366,634 -------------- -------------- ------------- -------------- -------------- ------------- Debt securities being held to maturity, principally Japanese prefectural and official institutions bonds................ 272,163 284,724 12,561 242,168 255,271 13,103 -------------- -------------- ------------- -------------- -------------- ------------- Total............................ (Yen)21,628,584 (Yen)23,567,540 (Yen)1,938,956 (Yen)22,270,184 (Yen)23,649,921 (Yen)1,379,737 ============== ============== ============= ============== ============== ============= Investment securities other than available for sale or being held to maturity (i.e., nonmarketable equity securities presented in Other investment securities) were carried at cost of (Yen)129,498 million and (Yen)138,289 million, at March 31, 2002 and September 30, 2002, respectively. The corresponding estimated fair values at those dates were not readily determinable. A-7 The following table shows information as to the value of our investment securities available for sale and being held to maturity at March 31, 2000, 2001 and 2002. At March 31, --- 2000 2001 --- --- Net Estimated unrealized Estimated Net Amortized market gains Amortized market unrealized cost value (losses) cost value gains -------------- -------------- ------------- -------------- -------------- ------------- (in millions) Securities available for sale: Domestic: Japanese national government and Japanese government agency bonds...... (Yen) 5,211,110 (Yen) 5,241,473 (Yen) 30,363 (Yen) 7,940,554 (Yen) 8,018,687 (Yen) 78,133 Corporate bonds.... 1,099,260 1,294,239 194,979 1,263,076 1,283,096 20,020 Marketable equity securities........ 4,238,216 7,666,605 3,428,389 4,145,826 6,483,719 2,337,893 Other securities... 505,341 518,236 12,895 459,380 469,988 10,608 -------------- -------------- ------------- -------------- -------------- ------------- Total domestic.... 11,053,927 14,720,553 3,666,626 13,808,836 16,255,490 2,446,654 -------------- -------------- ------------- -------------- -------------- ------------- Foreign: U.S. Treasury and other U.S. government agencies bonds.... 488,368 479,869 (8,499) 723,624 738,957 15,333 Other governments and official institutions bonds............. 787,631 788,037 406 1,131,873 1,153,331 21,458 Mortgage-backed securities........ 1,071,523 1,056,743 (14,780) 2,110,821 2,135,756 24,935 Other securities... 596,444 626,969 30,525 1,403,352 1,447,381 44,029 -------------- -------------- ------------- -------------- -------------- ------------- Total foreign..... 2,943,966 2,951,618 7,652 5,369,670 5,475,425 105,755 -------------- -------------- ------------- -------------- -------------- ------------- Total............ (Yen)13,997,893 (Yen)17,672,171 (Yen)3,674,278 (Yen)19,178,506 (Yen)21,730,915 (Yen)2,552,409 ============== ============== ============= ============== ============== ============= Securities being held to maturity: Domestic: Japanese national government and Japanese government agency bonds...... (Yen) 120,536 (Yen) 120,617 (Yen) 81 (Yen) 114,489 (Yen) 120,118 (Yen) 5,629 Corporate bonds.... 206,790 210,492 3,702 -- -- -- Other securities... 87,062

87,062 -- 116,773 122,482 5,709 -------------- -------------- ------------- -------------- -------------- ------------- Total domestic.... 414,388 418,171 3,783 231,262 242,600 11,338 -------------- -------------- ------------- -------------- -------------- ------------- Foreign: U.S. Treasury and other U.S. government agencies bonds.... 9,395 9,919 524 4,301 4,320 19 Other governments and official institutions bonds............ 140,860 141,592 732 68,168 71,441 3,273 Other securities... 114,403 115,561 1,158 2,476 2,566 90 -------------- -------------- ------------- -------------- -------------- ------------- Total foreign..... 264,658 267,072 2,414 74,945 78,327 3,382 -------------- -------------- ------------- -------------- -------------- ------------- Total............ (Yen) 679,046 (Yen) 685,243 (Yen) 6,197 (Yen) 306,207 (Yen) 320,927 (Yen) 14,720 ============== ============== ============= ============== ============== ============= At March 31, -- 2002 -- Estimated Net Amortized market unrealized cost value gains -------------- -------------- ------------- Securities available for sale: Domestic: Japanese national government and Japanese government agency bonds...... (Yen) 9,887,613 (Yen) 9,951,250 (Yen) 63,637 Corporate bonds.... 1,341,079 1,353,028 11,949 Marketable equity securities........ 3,695,451 5,279,562 1,584,111 Other securities... 844,695 854,358 9,663 -------------- -------------- ------------- Total domestic.... 15,768,838 17,438,198 1,669,360 -------------- -------------- ------------- Foreign: U.S. Treasury and other U.S. government agencies bonds.... 1,007,414 1,031,942 24,528 Other governments and official institutions bonds............ 1,753,882 1,790,712 36,830 Mortgage-backed securities........ 1,455,274 1,523,026 67,752 Other securities... 1,371,013 1,498,938 127,925 -------------- -------------- ------------- Total foreign..... 5,587,583 5,844,618 257,035 -------------- -------------- ------------- Total............ (Yen)21,356,421 (Yen)23,282,816 (Yen)1,926,395 ============== ============== ============= Securities being held to maturity: Domestic: Japanese national government and Japanese government agency bonds...... (Yen) 89,945 (Yen) 94,266 (Yen) 4,321 Corporate bonds.... -- -- -- Other securities... 107,544 112,296 4,752 -------------- -------------- ------------- Total domestic.... 197,489 206,562 9,073 -------------- -------------- ------------- Foreign: U.S. Treasury and other U.S. government agencies bonds.... -- -- -- Other governments and official institutions bonds............ 69,529 72,822 3,293 Other securities... 5,145 5,340 195 -------------- -------------- ------------- Total foreign..... 74,674 78,162 3,488 -------------- -------------- ------------- Total............ (Yen) 272,163 (Yen) 284,724 (Yen) 12,561 ============== ============== ============= A-8 Investment securities other than available for sale or being held to maturity (i.e., nonmarketable equity securities, presented in Other investment securities in the consolidated financial statements) were carried at costs of (Yen)175,233 million, (Yen)168,547 million and (Yen)129,498 million, at March 31, 2000, 2001 and 2002, respectively. The corresponding estimated fair values at those dates were not readily determinable. The following table presents the book values, maturities and weighted average yields of investment securities available for sale and being held to maturity, excluding equity securities, at March 31, 2002. Weighted average yields are calculated based on amortized cost. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material. Maturities Maturities after one year after five years Maturities Maturities within but within but within after one year five years ten years ten years ----------------- ----------------- ----------------- ----------------- Amount Yield Amount Yield Amount Yield Amount Yield ------------- ----- ------------- ----- ------------- ----- ------------ ----- (in millions, except percentages) Securities available for sale: Domestic: Japanese national government and Japanese government agency bonds.............. (Yen)3,758,056 0.12% (Yen)5,217,644 1.07% (Yen) 975,550 1.56% (Yen)-- --% Corporate bonds............. 186,423 2.43 1,100,046 1.64 63,773 2.35 2,786 1.47 Other securities............ 9,405 4.80 630,224 2.07 142,338 1.92 72,391 0.55 ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Total domestic............ 3,953,884 0.24 6,947,914 1.25 1,181,661 1.65 75,177 0.58 ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Foreign: U.S. Treasury and other U.S. government Agencies........ 79,649 2.39 707,550 4.84 172,213 5.14 72,530 6.09 Other governments and official institutions...... 267,153 4.06 1,088,294 4.72 419,558 5.31 15,707 7.03 Mortgage-backed securities... 174,830 6.14 460,602 5.17 358,164 5.46 529,430 5.55 Other securities............ 247,464 1.37 664,084 3.19 228,309 5.44 150,152 3.56 ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Total foreign............. 769,096 3.48 2,920,530 4.47 1,178,244 5.36 767,819 5.25 ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Total.................... (Yen)4,722,980 0.77% (Yen)9,868,444 2.19% (Yen)2,359,905 3.49% (Yen)842,996 4.83% ============= ==== ============= ==== ============= ==== =========== = ==== Securities being held to maturity: Domestic: Japanese national government and Japanese government agency bonds.............. (Yen) 17,666 2.54% (Yen) 48,690 2.23% (Yen) 23,589 2.33% (Yen)-- --% Other securities............ 7,051 5.09 36,882 2.52 63,611 1.77 -- --

------------- ---- ------------- ---- ------------- ---- ----------- - ---- Total domestic............ 24,717 3.26 85,572 2.36 87,200 1.92 -- -- ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Foreign: U.S. Treasury and other U.S. government agencies........ -- -- -- -- -- -- -- -- Other governments and official institutions...... 40,611 7.22 27,003 7.11 1,915 6.79 -- -- Other securities............ 2,664 7.03 -- -- 2,481 8.14 -- -- ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Total foreign............. 43,275 7.21 27,003 7.11 4,396 7.55 -- -- ------------- ---- ------------- ---- ------------- ---- ----------- - ---- Total.................... (Yen) 67,992 5.78% (Yen) 112,575 3.50% (Yen) 91,596 2.19% (Yen) -- --% ============= ==== ============= ==== ============= ==== =========== = ==== Total ------------------- Amount Yield -------------- ----- Securities available for sale: Domestic: Japanese national government and Japanese government agency bonds.............. (Yen) 9,951,250 0.76% Corporate bonds............. 1,353,028 1.78 Other securities............ 854,358 1.94 -------------- ---- Total domestic............ 12,158,636 0.96 -------------- ---- Foreign: U.S. Treasury and other U.S. government Agencies........ 1,031,942 4.80 Other governments and official institutions...... 1,790,712 4.78 Mortgage-backed securities... 1,523,026 5.49 Other securities............ 1,290,009 3.27 -------------- ---- Total foreign............. 5,635,689 4.63 -------------- ---- Total.................... (Yen)17,794,325 2.10% ============== ==== Securities being held to maturity: Domestic: Japanese national government and Japanese government agency bonds.............. (Yen) 89,945 2.32% Other securities............ 107,544 2.24 -------------- ---- Total domestic............ 197,489 2.28 -------------- ---- Foreign: U.S. Treasury and other U.S. government agencies........ -- -- Other governments and official institutions...... 69,529 7.17 Other securities............ 5,145 7.56 -------------- ---- Total foreign............. 74,674 7.19 -------------- ---- Total.................... (Yen) 272,163 3.63% ============== ==== A-9 Excluding Japanese national government bonds, the following table sets forth the securities of individual issuers held in our investment securities portfolio which exceeded 10% of our consolidated shareholders' equity at March 31, 2002. Amortized cost Fair Value ------------- ------------- (in millions) U.S. Treasury and other U.S. government agencies bonds............. (Yen)1,007,414 (Yen)1,031,942 Mortgage-backed securities issued by U.S. Federal National Mortgage Association... 408,786 419,389 Mortgage-backed securities issued by U.S. Federal Home Loan Mortgage Corporation... 329,506 344,361 French government bonds... 461,629 454,505 III. Loan Portfolio The following table shows our loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31, 2002 and September 30, 2002. Classification of loans by industry is based on the industry segment loan classification as defined by The Bank of Japan for regulatory reporting purposes and is not necessarily based on use of proceeds. At March 31, At September 30, 2002 2002 --------------- --------------- (in millions) Domestic: Manufacturing.......................... (Yen) 6,394,459 (Yen) 6,271,210 Construction.......................... 1,535,191 1,454,111 Real estate............................ 4,923,688 4,634,573 Services.............................. 4,549,692 4,286,308 Wholesale and retail................... 5,983,958 6,802,213 Banks and other financial institutions.. 4,271,182 3,515,716 Other industries....................... 3,850,153 3,420,371 Consumer............................... 7,049,095 7,227,780 --------------- -------------- Total domestic..................... 38,557,418 37,612,282 --------------- -------------- Foreign: Governments and official institutions... 326,086 201,669 Banks and other financial institutions.. 680,449 868,913 Commercial and industrial.............. 9,708,102 8,398,089 Other................................. 1,000,044 1,044,303 --------------- -------------- Total foreign...................... 11,714,681 10,512,974 --------------- -------------- Less unearned income and deferred loan fees 42,374 34,011 --------------- -------------- Total.............................. (Yen) 50,229,725 (Yen)48,091,245 =============== ============== -------- Notes: 1. The table includes loans held for sale of (Yen)3,178 million at March 31, 2002 and (Yen)8,685 million at September 30, 2002, respectively. 2. Loans to the so-called non-bank finance companies are generally included in the "Banks and other financial institutions" category. Non-bank finance companies are primarily engaged in consumer lending, factoring, mortgage lending and credit card businesses. A-10 The following table shows our loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31 of each of the five years in the period ended March 31, 2002. Classification of loans by industry is based on the industry segment loan classification as defined by The Bank of Japan for regulatory reporting purposes and is not necessarily based on use of proceeds. At March 31, -- 1998 1999 2000 2001 2002 -------------- -------------- -------------- -------------- -------------- (in millions) Domestic: Manufacturing................. (Yen) 7,188,038 (Yen) 7,171,934 (Yen) 6,877,734 (Yen) 6,451,672 (Yen) 6,394,459 Construction................. 1,886,422 1,931,928 1,816,338 1,726,278 1,535,191 Real estate.................. 5,564,330 5,594,982 5,045,318 5,272,787 4,923,688

Services...................... 6,147,240 5,398,917 5,010,678 4,763,938 4,549,692 Wholesale and retail.......... 7,849,323 7,734,297 6,926,200 6,592,660 5,983,958 Banks and other financial institutions................ 4,321,616 4,241,691 3,947,735 4,069,828 4,271,182 Other industries.............. 2,640,445 3,649,278 3,837,809 2,797,419 3,850,153 Consumer...................... 6,774,501 6,905,666 7,141,689 6,934,440 7,049,095 --------------- -------------- --------------- --------------- -------------- Total domestic............ 42,371,915 42,628,693 40,603,501 38,609,022 38,557,418 --------------- -------------- -------------- -------------- --------------- Foreign: Governments and official institutions................ 429,244 362,404 244,172 315,321 326,086 Banks and other financial institutions................ 1,613,190 745,783 692,322 783,501 680,449 Commercial and industrial..... 11,422,794 9,617,336 7,652,750 8,820,141 9,708,102 Other......................... 2,379,437 1,711,988 887,507 1,173,223 1,000,044 --------------- --------------- -------------- -------------- --------------- Total foreign............. 15,844,665 12,437,511 9,476,751 11,092,186 11,714,681 --------------- -------------- -------------- -------------- --------------- Total.................. 58,216,580 55,066,204 50,080,252 49,701,208 50,272,099 Less unearned income and deferred loan fees...................... 71,407 37,454 30,868 30,305 42,374 --------------- -------------- -------------- -------------- --------------- Total.................. (Yen)58,145,173 (Yen)55,028,750 (Yen)50,049,384 (Yen)49,670,903 (Yen)50,229,725 =============== ============== ============== ============== =============== -------- Note--Loans to the so-called non-bank finance companies are generally included in the "Banks and other financial institutions" category. Non-bank finance companies are primarily engaged in consumer lending, factoring, mortgage lending and credit card businesses. A-11 Maturities and Sensitivities of Loans to Changes in Interest Rates The following table shows the maturities of our loan portfolio at March 31, 2002: Maturity -- One year or less One to five years Over five years Total ---------------- ---------------- -------------- -------------- (in millions) Domestic: Manufacturing............................ (Yen) 4,525,631 (Yen) 1,703,447 (Yen) 165,381 (Yen) 6,394,459 Construction............................ 1,118,493 338,966 77,732 1,535,191 Real estate............................. 2,322,887 1,638,583 962,218 4,923,688 Services................................ 2,481,125 1,560,883 507,684 4,549,692 Wholesale and retail..................... 4,454,273 1,298,957 230,728 5,983,958 Banks and other financial institutions... 2,698,320 956,258 616,604 4,271,182 Other industries........................ 2,527,453 925,232 397,468 3,850,153 Consumer: Installment loans to individuals..... 431,577 1,393,167 4,515,210 6,339,954 Other............................... 553,521 56,282 99,338 709,141 --------------- -------------- ------------- -------------- Total domestic.................... 21,113,280 9,871,775 7,572,363 38,557,418 Foreign: 5,923,417 3,400,647 2,390,617 11,714,681 --------------- -------------- ------------- -------------- Total............................ (Yen)27,036,697 (Yen)13,272,422 (Yen)9,962,980 (Yen)50,272,099 =============== =============== ============== =============== The above loans due after one year which had predetermined interest rates and floating or adjustable interest rates at March 31, 2002 are shown below. Domestic Foreign Total -------------- ------------- -------------- (in millions) Predetermined rate......... (Yen) 6,732,905 (Yen)1,646,957 (Yen) 8,379,862 Floating or adjustable rate 10,711,233 4,144,307 14,855,540 -------------- ------------- -------------- Total.................. (Yen)17,444,138 (Yen)5,791,264 (Yen)23,235,402 =============== ============== =============== Nonaccrual, Past Due and Restructured Loans We generally discontinue the 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 and interest is contractually past due, except when the loans are in the process of collection based upon the judgment of management. Prior to April 1, 1998, loans by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and some of other domestic subsidiaries were generally placed on nonaccrual status when they were past due more than six months, in each case as to either principal or interest. The change in nonaccrual policy resulted in an increase in nonaccrual loans of approximately (Yen)1,327 billion and decreases in accruing restructured loans and accruing loans contractually past due 90 days or more of approximately (Yen)1,037 billion and (Yen)290 billion, respectively, at March 31, 1999. For past due loans, we continue the accrual of interest income on loans without collecting any payment of interest or principal under terms of the related loan agreements only for a period of up to three months. A-12 The following table shows the distribution of our nonaccrual loans, restructured loans and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31, 2002 and September 30, 2002, based on the domicile and type of industry of the borrowers. At March 31, At September 30, 2002 2002 ------------- --------------- (in millions) Nonaccrual loans: Domestic: Manufacturing................................... (Yen) 142,572 (Yen) 135,408 Construction.................................... 213,491 181,200 Real estate..................................... 841,414 560,740 Services.. 214,877 131,526 Wholesale and retail........................... 251,061 254,680 Banks and other financial institutions........... 58,568

47,379 Other industries................................ 39,687 34,373 Consumer....................................... 166,333 163,975 ------------- ------------- Total domestic................................ 1,928,003 1,509,281 ------------- ------------- Foreign: Governments and official institutions............ 3,341 1,493 Banks and other financial institutions........... 9,119 11,294 Commercial and industrial....................... 226,054 227,149 Other... 7,059 29,973 ------------- ------------- Total foreign................................. 245,573 269,909 ------------- ------------- Total... 2,173,576 1,779,190 ------------- ------------- Restructured loans: Domestic... 1,859,176 1,677,797 Foreign.. 109,190 100,862 ------------- ------------- Total.. 1,968,366 1,778,659 ------------- ------------- Accruing loans contractually past due 90 days or more: Domestic... 20,276 9,315 Foreign.. 2,764 4,654 ------------- ------------- Total.. 23,040 13,969 ------------- ------------- Total.. (Yen)4,164,982 (Yen)3,571,818 ============= ============= -------- Note--The above table does not include real estate acquired in full or partial satisfaction of debt and certain assets under the management of the Cooperative Credit Purchasing Company which are recorded at estimated fair value less estimated cost to sell. A-13 The following table shows the distribution of our nonaccrual loans, restructured loans and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31 of each of the five years in the period ended March 31, 2002, based on the domicile and type of industry of the borrowers. At March 31, -- 1998 1999 2000 2001 2002 ------------- ------------- ------------- ------------- ------------- (in millions) Nonaccrual loans: Domestic: Manufacturing.................... (Yen) 27,203 (Yen) 141,830 (Yen) 112,245 (Yen) 118,935 (Yen) 142,572 Construction.................... 32,365 138,803 226,170 202,506 213,491 Real estate..................... 195,421 981,504 829,616 939,267 841,414 Services........................ 114,555 457,083 290,286 247,697 214,877 Wholesale and retail............. 64,719 380,076 389,262 229,965 251,061 Banks and other financial institutions.................. 113,405 245,533 140,928 125,649 58,568 Other industries................ 6,072 26,848 23,921 39,963 39,687 Consumer........................ 24,271 83,809 56,206 163,076 166,333 ------------- ------------- ------------- ------------- ------------- Total domestic................ 578,011 2,455,486 2,068,634 2,067,058 1,928,003 ------------- ------------- ------------- ------------- ------------- Foreign: Governments and official institutions.................. 951 895 1,032 2,336 3,341 Banks and other financial institutions.................. 1,931 19,670 14,458 8,403 9,119 Commercial and industrial........ 61,914 198,951 167,271 180,760 226,054 Other........................... 3,256 31,599 26,604 32,345 7,059 ------------- ------------- ------------- ------------- ------------- Total foreign................ 68,052 251,115 209,365 223,844 245,573 ------------- ------------- ------------- ------------- ------------- Total........................ 646,063 2,706,601 2,277,999 2,290,902 2,173,576 ------------- ------------- ------------- ------------- ------------- Restructured loans: Domestic........................... 1,151,905 632,187 449,673 1,855,616 1,859,176 Foreign............................. 96,696 23,143 53,206 98,879 109,190 ------------- ------------- ------------- ------------- ------------- Total........................ 1,248,601 655,330 502,879 1,954,495 1,968,366 ------------- ------------- ------------- ------------- ------------- Accruing loans contractually past due 90 days or more: Domestic............................ 363,200 78,129 62,286 24,005 20,276 Foreign............................. 24,665 37,708 1,751 3,392 2,764 ------------- ------------- ------------- ------------- ------------- Total........................ 387,865 115,837 64,037 27,397 23,040 ------------- ------------- ------------- ------------- ------------- Total........................ (Yen)2,282,529 (Yen)3,477,768 (Yen)2,844,915 (Yen)4,272,794 (Yen)4,164,982 ============= ============= ============= ============= ============= -------- Note--The above table does not include real estate acquired in full or partial satisfaction of debt and certain assets under the management of the Cooperative Credit Purchasing Company which are recorded at estimated fair value less estimated cost to sell. Gross interest income which would have been accrued at the original terms on domestic nonaccrual and restructured loans outstanding during the fiscal year ended March 31, 2002 was approximately (Yen)83.7 billion, of which (Yen)67.6 billion was included in the results of operations for the year. Gross interest income which would have been accrued at the original terms on foreign nonaccrual and restructured loans outstanding for the fiscal year ended March 31, 2002 was approximately (Yen)17.3 billion, of which (Yen)7.7 billion was included in the results of operations for the year. A-14 Foreign Loans Outstanding We had no cross-border outstandings to borrowers in any foreign country which in total exceeded 0.75% of consolidated total assets at March 31, 2000, 2001 and 2002. Cross-border outstandings are defined, for this purpose, as including loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets denominated in Japanese yen or other non-local currencies. Material local currency loans outstanding which are neither hedged nor funded by local currency borrowings are included in cross-border outstandings. Guarantees of outstandings of borrowers of other countries are considered to be outstandings of the guarantor. Loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank's home country are considered to be loans to, or deposits with, the foreign bank. Outstandings of a country do not include principal or interest amounts of which are supported by written, legally enforceable guarantees by guarantors of other countries or the amounts of outstandings to the extent that they are secured by tangible, liquid collateral held and realizable by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and their subsidiaries outside the country in which they operate. In addition to credit risk, cross-border outstandings are subject to country risk that as a result of political or economic conditions in a country, borrowers may be unable or unwilling to pay principal and interest according to contractual terms. Other risks related to cross-border outstandings include the possibility of insufficient foreign exchange and restrictions on its availability. In order to manage country risk, we establish various risk management measures internally. Among other things, we first regularly monitor economic conditions and other factors globally and assess country risk in each country where we have cross-border exposure. For purposes of monitoring and controlling the amount of credit exposed to country risk, we set a country limit, the maximum amount of credit exposure for an individual country, in consideration of the level of country risk and our ability to bear such potential risk. We also determine our credit policy for each country in accordance with its country risk level and our business plan with regard to the country. Assessment of country risk, establishment of country limits, and determination of country credit policies are subject to review and approval by our senior management and are updated periodically. Exposure to East Asia For a period beginning in mid-1997, some East Asian countries experienced severe economic and financial difficulties. In response to such economic deterioration, the Republic of Korea, or South Korea, Thailand and Indonesia implemented financial reform programs under the supervision of the International Monetary Fund, or IMF. The region has now generally recovered from these difficulties, with certain exceptions. We maintain a substantial network of branches and subsidiaries in East Asia and the region has been an important market for our financial services. In response to recent developments in the regional economy, we regularly reassess the country risk of each country in the region, to adjust exposure levels, and to review and revise country credit policies. A-15 The following is a summary of cross-border outstandings to counterparties in major Asian countries at March 31, 2002 and September 30, 2002: At March 31, At September 30, 2002 2002 ------------ ---------------- (in billions) South Korea............... (Yen)218.9 (Yen)215.8 Indonesia................. 78.2 59.1 Thailand.................. 223.7 194.2 Malaysia.................. 156.1 142.6 Philippines............... 80.0 52.5 Hong Kong................. 409.3 340.8 People's Republic of China 222.9 181.7 The following table represents our cross-border outstandings and commitments at March 31, 2001 and 2002, to certain East Asian countries significantly affected by the crisis: At March 31, --- 2001 2002 ----------------------- ----------------------- Cross-border Cross-border Outstanding Commitments Outstanding Commitments ------------ ----------- ------------ ----------- (in billions) South Korea............... (Yen)225.8 (Yen) 0.5 (Yen)218.9 (Yen) 1.1 Indonesia................. 141.8 19.1 78.2 11.2 Thailand.................. 248.9 5.9 223.7 6.8 Malaysia.................. 151.8 7.5 156.1 10.7 Philippines............... 70.5 7.2 80.0 13.7 Hong Kong................. 455.0 21.7 409.3 2.2 People's Republic of China 185.2 11.4 222.9 4.7 In addition to the exposure to the seven countries shown in the above table, we had cross-border outstandings of (Yen)255.7 billion to counterparties in Singapore at March 31, 2002. Our management does not expect any significant credit problems with exposure to that country. At March 31, 2002, the total cross-border outstandings to the five countries (South Korea, Indonesia, Thailand, Malaysia and the Philippines) decreased (Yen)81.9 billion, or 9.8%, to (Yen)756.9 billion in the aggregate from (Yen)838.8 billion of outstandings recorded at March 31, 2001, due primarily to reduction of exposure to Indonesia, through our proactive exposure management. Exposure to South America The following is a summary of cross-border outstandings to counterparties in major Latin American countries at March 31, 2002 and September 30, 2002: At March 31, At September 30, 2002 2002 ------------ ---------------- (in billions) Argentina (Yen) 74.4 (Yen) 56.4 Brazil... 145.4 146.7 Mexico... 110.0 85.0 A-16 The following is a summary of cross-border outstandings to counterparties in major Latin American countries at March 31, 2001 and 2002: At March 31, --------------------- 2001 2002 ---------- ---------- (in billions) Argentina (Yen)116.7 (Yen) 74.4 Brazil... 139.8 145.4 Mexico... 75.2 110.0 Argentina--In late 2001, Argentina began to experience significant economic turmoil and deterioration, including the suspension of foreign debt payments. The Argentine government implemented substantial economic changes, and abandoned the fixed US dollar-to-peso exchange rate in favor of a floating exchange rate. The adoption of the floating rate occurred in parallel with increased restrictions on deposits and liquidity. The Argentine government has defaulted on its debt, and the outcome of talks between the Argentine government and the International Monetary Fund on receiving financial assistance remains uncertain. The Argentine government and other parties are working on a debt-restructuring program. At March 31, 2002, we had cross-border outstandings of approximately (Yen)74.4 billion to borrowers in Argentina and provided an allocated credit loss allowance for country risk exposure of (Yen)18.1 billion. During 2002, Argentina continued to experience significant political and economic changes, including severe recessionary conditions, high inflation and political uncertainty. The Argentina government implemented substantial economic changes, such as redenominating substantially all of the banking industry's loans, deposits and other assets and liabilities previously denominated in US dollars into pesos at different rates. In addition, the government issued certain instruments to financial institutions to compensate them in part for losses incurred as a result of the redenomination events. The government also announced a 180 day moratorium against creditors filing foreclosures or bankruptcy proceedings against borrowers. Later in 2002, the government modified the terms of certain of its obligations making them less valuable. At September 30, 2002, we had cross-border outstandings of approximately (Yen)56.4 billion to borrowers in Argentina and provided an allocated credit loss allowance of (Yen)28.8 billion. We continue to assess our credit exposure to Argentina. Loan Concentrations At March 31, 2002, there were no concentrations of loans to a single industry group of borrowers, as defined by The Bank of Japan for industry segment loan classification, which exceeded 10% of our consolidated total loans except for domestic consumer loans. Credit Risk Management We have a credit rating system, under which borrowers and transactions are graded based on objective standards on a worldwide basis. We calculate probability of default by statistical means and manage our credit portfolio based on this credit rating system. A-17 IV. Summary of Loan Loss Experience The following table shows an analysis of our loan loss experience by type of borrowers' business for the six months ended September 30, 2001 and 2002. Six Months Ended September 30, ------------------------------- 2001 2002 ------------- ------------- (in millions, except percentages) Allowance for credit losses at beginning of period............................... (Yen)1,716,984 (Yen)1,735,180 ------------- ------------- Provision for credit losses.. 309,425 232,632 ------------- ------------- Charge-offs: Domestic: Manufacturing... 17,081 43,362 Construction... 10,420 39,315 Real estate... 36,169 96,750 Services... 18,068 47,117 Wholesale and retail... 36,682 46,804 Banks and other financial institutions................................... 23,564 9,572 Other industries... 6,023 14,087 Consumer... 20,418 30,024 ------------- ------------- Total Domestic.. 168,425 327,031 Foreign.. 79,882 92,968 ------------- ------------- Total... 248,307 419,999 ------------- ------------- Recoveries: Domestic.. 12,960 25,339 Foreign.. 9,703 11,050 ------------- ------------- Total... 22,663 36,389 ------------- ------------- Net charge-offs.. 225,644 383,610 ------------- ------------- Other--principally foreign exchange translation adjustments... (6,720) (12,970) ------------- ------------- Allowance for credit losses at end of period.................................... (Yen)1,794,045 (Yen)1,571,232 ============= ============= Allowance for credit losses applicable to foreign activities: Balance at beginning of period.. (Yen) 243,716 (Yen) 244,650 ============= ============= Balance at end of period.. (Yen) 236,285 (Yen) 224,938 ------------- ------------- Provision for credit losses.. (Yen) 77,377 (Yen) 75,538 ============= ============= Ratio of net charge-offs during the period to average loans outstanding during the period/(1)/... 0.91% 1.54% (1) Annualized for the six months ended September 30, 2001 and 2002. A-18 The following table shows an analysis of our loan loss experience by type of borrowers' business for each of the five years in the period ended March 31, 2002. Years Ended March 31, --- 1998 1999 2000 2001 2002 ------------- ------------- ------------- ------------- ------------- (in millions, except percentages) Allowance for credit losses at beginning of year.................................... (Yen)1,556,825 (Yen)1,281,091 (Yen)1,813,680 (Yen)1,486,212 (Yen)1,716,984 ------------- ------------- ------------- ------------- ------------- Provision for credit losses................ 1,476,027 1,239,000 372,449 797,081 601,689 ------------- ------------- ------------- ------------- ------------- Charge-offs: Domestic:

Manufacturing...................... 91,486 25,224 25,537 31,386 55,916 Construction....................... 460,446 27,530 77,878 82,078 35,365 Real estate........................ 153,059 135,597 98,201 154,887 150,684 Services........................... 229,087 160,194 53,877 72,673 51,803 Wholesale and retail................ 208,777 29,031 191,839 152,723 96,745 Banks and other financial institutions..................... 306,594 106,727 67,782 22,453 64,615 Other industries.................... 8,370 10,172 47,209 6,069 11,500 Consumer........................... 175,943 38,119 39,827 34,291 46,550 ------------- ------------- ------------- ------------- ------------- Total domestic......................... 1,633,762 532,594 602,150 556,560 513,178 ------------- ------------- ------------- ------------- ------------- Foreign................................ 140,404 140,981 121,882 87,879 156,203 ------------- ------------- ------------- ------------- ------------- Total.................................. 1,774,166 673,575 724,032 644,439 669,381 ------------- ------------- ------------- ------------- ------------- Recoveries: Domestic............................... 455 1,338 25,244 26,666 42,112 Foreign................................ 8,355 8,784 19,052 19,411 23,865 ------------- ------------- ------------- ------------- ------------- Total.................................. 8,810 10,122 44,296 46,077 65,977 ------------- ------------- ------------- ------------- ------------- Net charge-offs........................... 1,765,356 663,453 679,736 598,362 603,404 ------------- ------------- ------------- ------------- ------------- Other--principally foreign exchange translation adjustments.................. 13,595 (42,958) (20,181) 32,053 19,911 ------------- ------------- ------------- ------------- ------------- Allowance for credit losses at end of year. (Yen)1,281,091 (Yen)1,813,680 (Yen)1,486,212 (Yen)1,716,984 (Yen)1,735,180 ============= ============= ============= ============= ============= Allowance for credit losses applicable to foreign activities: Balance at beginning of year............ (Yen) 190,526 (Yen) 264,186 (Yen) 295,131 (Yen) 190,571 (Yen) 243,716 ============= ============= ============= ============= ============= Balance at end of year.................. (Yen) 264,186 (Yen) 295,131 (Yen) 190,571 (Yen) 243,716 (Yen) 244,650 ============= ============= ============= ============= ============= Provision for credit losses............. (Yen) 194,613 (Yen) 193,610 (Yen) 25,661 (Yen) 105,664 (Yen) 127,348 ============= ============= ============= ============= ============= Ratio of net charge-offs during the year to average loans outstanding during the year.................................... 3.01% 1.15% 1.30% 1.21% 1.23% A-19 The following table shows an allocation of our allowance for credit losses at March 31, 2002 and September 30, 2002. At March 31, 2002 At September 30, 2002 ---------------------- ---------------------- % of % of loans in loans each in each category category to total to total Amount loans Amount loans ------------- -------- ------------- -------- (in millions, except percentages) Domestic: Manufacturing.. (Yen) 162,828 12.72% (Yen) 166,375 13.03% Construction... 168,595 3.05 169,011 3.02 Real estate.. 541,093 9.79 421,309 9.63 Services.. 175,281 9.05 133,926 8.91 Wholesale and retail...................................... 216,510 11.90 243,653 14.13 Banks and other financial institutions.................... 59,971 8.50 56,041 7.31 Other industries... 48,466 7.67 46,324 7.11 Consumer... 95,156 14.02 86,950 15.02 Foreign... 244,650 23.30 224,938 21.84 Unallocated.. 22,630 -- 22,705 -- ------------- ------ ------------- ------ Total... (Yen)1,735,180 100.00% (Yen)1,571,232 100.00% ============= ====== ============= ====== Allowance as a percentage of loans........................... 3.45% 3.27% Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more... 41.66% 43.99% A-20 The following table shows an allocation of our allowance for credit losses at the end of each of the five years in the period ended March 31, 2002. At March 31, --- 1998 1999 2000 2001 ---------------------- ---------------------- ---------------------- ---------------------- % of % of % of % of loans loans loans loans in each in each in each in each category category category category to total to total to total to total Amount loans Amount loans Amount loans Amount loans ------------- -------- ------------- -------- ------------- -------- ------------- -------- (in millions, except percentages) Domestic: Manufacturing.... (Yen) 57,090 12.35% (Yen) 92,791 13.02% (Yen) 98,296 13.73% (Yen) 159,387 12.98% Construction..... 42,801 3.24 119,853 3.51 124,352 3.63 133,752 3.47 Real estate...... 333,991 9.56 498,246 10.16 429,928 10.07 505,479 10.61 Services......... 163,017 10.56 225,420 9.80 178,237 10.01 172,568 9.59 Wholesale and retail.......... 152,464 13.48 294,605 14.05 221,466 13.83 203,814 13.26 Banks and other financial institutions.... 165,835 7.42 171,477 7.70 64,934 7.88 86,470 8.19 Other industries. 5,868 4.53 15,641 6.63 57,684 7.67 47,607 5.63 Consumer......... 73,487 11.64 75,684 12.54 104,139 14.26 106,031 13.95 Foreign: Governments and official institutions.... 17,001 0.74 30,299 0.66 14,769 0.49 18,571 0.63 Banks and other financial institutions.... 27,100 2.77 27,133 1.35 9,328 1.38 11,322 1.58 Commercial and industrial...... 188,041 19.62

217,736 17.47 144,028 15.28 192,484 17.75 Other............ 32,044 4.09 19,963 3.11 22,446 1.77 21,339 2.36 Unallocated........ 22,352 -- 24,832 -- 16,605 -- 58,160 -- ------------- ------ ------------- ------ ------------- ------ ------------- ------ Total........... (Yen)1,281,091 100.00% (Yen)1,813,680 100.00% (Yen)1,486,212 100.00% (Yen)1,716,984 100.00% ============= ====== ============= ====== ============= ====== ============= ====== Allowance as a percentage of loans............. 2.20% 3.30% 2.97% 3.46% Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more............. 56.13% 52.15% 52.24% 40.18% At March 31, ---------------------- 2002 ---------------------- % of loans in each category to total Amount loans ------------- -------- Domestic: Manufacturing.... (Yen) 162,828 12.72% Construction..... 168,595 3.05 Real estate...... 541,093 9.79 Services......... 175,281 9.05 Wholesale and retail.......... 216,510 11.90 Banks and other financial institutions.... 59,971 8.50 Other industries. 48,466 7.67 Consumer......... 95,156 14.02 Foreign: Governments and official institutions.... 33,304 0.65 Banks and other financial institutions.... 6,847 1.35 Commercial and industrial...... 189,332 19.31 Other............ 15,167 1.99 Unallocated........ 22,630 -- ------------- ------ Total........... (Yen)1,735,180 100.00% ============= ====== Allowance as a percentage of loans............. 3.45% Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more............. 41.66% While allowance for credit losses contains amounts allocated to components of specifically identified loans as well as a group on portfolio of loans, the allowance for credit losses is available for credit losses in the entire loan portfolio and the allocations shown above are not intended to be restricted to the specific loan category. Accordingly, as the evaluation of credit risks changes, allocations of the allowance will be changed to reflect current conditions and various other factors. A-21 V. Deposits The following table shows the average amount of, and the average rate paid on, the following deposit categories for each of the three years in the period ended March 31, 2002. Years Ended March 31, -- 2000 2001 2002 --------------------- --------------------- --------------------- Average Average Average Average Average Average amount rate amount rate amount rate -------------- ------- -------------- ------- -------------- ------- (in millions, except percentages) Domestic offices: Non-interest-bearing demand deposits.......................... (Yen) 2,236,420 -- (Yen) 2,186,090 -- (Yen) 2,621,296 -- Interest-bearing demand deposits.......................... 11,680,850 0.11% 11,803,418 0.13% 14,385,013 0.04% Deposits at notice.................. 1,847,522 1.13 1,564,168 1.49 1,800,904 1.01 Time deposits....................... 24,888,624 0.69 25,372,595 0.78 26,272,795 0.49 Certificates of deposit............ 2,730,680 0.18 2,438,281 0.33 2,348,313 0.14 Foreign offices, principally from banks located in foreign countries: Non-interest-bearing demand deposits.......................... 1,433,729 -- 1,412,761 -- 1,654,887 -- Interest-bearing deposits, principally time deposits and certificates of deposit........... 11,244,201 3.48 11,552,974 4.58 10,982,859 2.99 -------------- -------------- -------------- Total.......................... (Yen)56,062,026 (Yen)56,330,287 (Yen)60,066,067 ============== ============== ============== Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance to withdrawal. The average amounts of total deposits by foreign depositors included in domestic offices for the fiscal years ended March 31, 2000, 2001 and 2002 were (Yen)387,118 million, (Yen)378,840 million and (Yen)485,399 million, respectively. At March 31, 2002, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of (Yen)10 million (approximately US$75 thousand at the Federal Reserve Bank of New York's noon buying rate on March 29, 2002) or more and such deposits issued in amounts of US$100,000 or more are shown in the following table. Certificates of Time deposits deposit Total -------------- -------------- -------------- (in millions) Domestic offices: Three months or less................. (Yen) 7,200,783 (Yen)2,500,997 (Yen) 9,701,780 Over three months through six months.. 1,842,497 113,773 1,956,270 Over six months through twelve months. 2,349,447 48,135 2,397,582 Over twelve months................... 2,829,237 160 2,829,397 -------------- ------------- -------------- Total............................ (Yen)14,221,964 (Yen)2,663,065 (Yen)16,885,029 ============== ============== ============== Foreign offices......................... (Yen) 6,783,568 ============== A-22 VI. Short-Term Borrowings The following table shows certain additional information with respect to our short-term borrowings for each of the three years in the period ended March 31, 2002. Years Ended March 31, -- 2000 2001 2002 ------------- -------------- ------------- (in millions, except percentages) Call money, funds purchased, and payables under repurchase agreements and securities lending transactions: Average balance outstanding during the year............. (Yen)5,148,760 (Yen) 7,201,772 (Yen)8,996,420 Maximum balance outstanding at any month-end during the year.. 6,259,026 10,546,870 9,252,127 Balance at end of year.................................. 4,226,936 8,727,358 9,243,032 Weighted average interest rate during the year........... 2.44% 3.62% 2.23% Weighted average interest rate on balance at end of year. 2.32% 2.01% 1.09% Due to trust account: Average balance outstanding during the year............. (Yen)4,181,966 (Yen) 4,023,941 (Yen)2,940,975 Maximum balance outstanding at any month-end during the year... 4,397,143 4,488,591 3,353,489 Balance at end of year................................. 4,271,918 3,672,718 2,282,225 Weighted average interest rate during the year........... 0.78% 0.69% 0.57% Weighted average interest rate on balance at end of year. 0.77% 0.73% 0.51% Other short-term borrowings: Average balance outstanding during the year............. (Yen)1,839,452 (Yen) 1,641,905 (Yen)2,077,604 Maximum balance outstanding at any month-end during the year... 2,431,224 3,032,747 3,318,634 Balance at end of year................................. 1,655,819 2,129,991 3,318,634 Weighted average interest rate during the year........... 2.79% 1.65% 2.22% Weighted average interest rate on balance at end of year. 1.71% 1.48% 1.09% * * * * * A-23 INDEX TO CONSOLIDATED FINANCIAL STATEMENTS Page ---- F-1 REPORT OF INDEPENDENT AUDITORS Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group): We have audited the accompanying consolidated balance sheets of Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG") and subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of operations, changes in equity from nonowner sources, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002. These financial statements are the responsibility of MTFG's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MTFG and subsidiaries at March 31, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. As discussed in Note 1 to the consolidated financial statements, in the year ended March 31, 2002, MTFG changed its method of accounting for derivative financial instruments and hedging activities. /s/ Deloitte Touche Tohmatsu DELOITTE TOUCHE TOHMATSU Tokyo, Japan July 19, 2002 (January 30, 2003 as to Note 32) F-2 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS MARCH 31, 2001 AND 2002 2001 2002 --------------- --------------- (in millions) ASSETS Cash and due from banks (Note 9).. (Yen) 1,729,668 (Yen) 1,832,399 Interest-earning deposits in other banks (Note 9)................................ 6,014,905 4,332,180 Call loans and funds sold (Note 12)... 1,828,749 1,626,760 Receivables under resale agreements... 1,428,488 1,122,680 Receivables under securities borrowing transactions............................... 1,938,500 1,953,242 Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of (Yen)532,116 million in 2001 and

(Yen)856,331 million in 2002) (Notes 3 and 9).. 7,143,309 7,497,253 Investment securities (Notes 4 and 9): Securities available for sale--carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of (Yen)1,112,209 million in 2001 and (Yen)2,101,338 million in 2002).............. 21,730,915 23,282,816 Securities being held to maturity--carried at amortized cost (estimated fair value of (Yen)320,927 million in 2001 and (Yen)284,724 million in 2002).......... 306,207 272,163 Other investment securities... 168,547 129,498 -------------- -------------- Total investment securities.. 22,205,669 23,684,477 -------------- -------------- Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of (Yen)944,153 million in 2001 and (Yen)765,575 million in 2002) (Notes 5 and 9)........................ 49,670,903 50,229,725 Allowance for credit losses (Notes 5 and 6)....................................... (1,716,984) (1,735,180) -------------- -------------- Net loans.. 47,953,919 48,494,545 -------------- -------------- Premises and equipment--net (Note 7)... 689,663 681,366 Accrued interest.. 316,941 213,697 Customers' acceptance liability.. 43,552 37,608 Intangible assets.. 169,602 186,617 Goodwill... 5,888 41,386 Other assets (Notes 5, 8 and 17)... 2,020,097 2,660,904 -------------- -------------- Total... (Yen)93,488,950 (Yen)94,365,114 ============== ============== LIABILITIES AND SHAREHOLDERS' EQUITY Deposits (Note 10): Domestic offices: Non-interest-bearing... (Yen) 2,884,031 (Yen) 3,091,407 Interest-bearing... 43,064,927 48,826,155 Overseas offices: Non-interest-bearing... 1,675,511 2,166,464 Interest-bearing... 12,481,273 9,575,475 -------------- -------------- Total deposits... 60,105,742 63,659,501 Debentures (Note 11).. 3,404,411 2,269,122 Call money and funds purchased (Notes 9 and 12).................................. 2,358,036 2,542,489 Payables under repurchase agreements (Note 9)..................................... 3,046,618 3,786,560 Payables under securities lending transactions (Note 9)........................... 3,322,704 2,913,983 Due to trust account (Note 13).. 3,672,718 2,282,225 Other short-term borrowings (Notes 9 and 14)...................................... 2,129,991 3,318,634 Trading account liabilities (Note 3)... 4,072,807 2,495,768 Obligations to return securities received as collateral........................... 295,694 315,538 Bank acceptances outstanding.. 43,552 37,608 Accrued interest... 389,301 211,010 Long-term debt (Notes 9 and 14)... 4,963,455 5,183,841 Other liabilities (Notes 8, 16 and 17)... 2,482,625 2,722,338 -------------- -------------- Total liabilities... 90,287,654 91,738,617 -------------- -------------- Commitments and contingent liabilities (Notes 23, 24 and 25) Shareholders' equity (Note 21): Capital stock (Notes 18 and 19) (*): Preferred stock: Class 1--authorized, 81,400 shares; issued and outstanding, 81,400 shares in 2001 and 2002, with no stated value (aggregate liquidation preference of (Yen)244,200 million).. 122,100 122,100 Class 2--convertible: authorized, 100,000 shares; issued and outstanding, 100,000 shares in 2001 and 2002, with no stated value (aggregate liquidation preference of (Yen)200,000 million)............................. 100,000 100,000 Class 3--authorized, 120,000 shares; no shares issued or outstanding.......... -- -- Class 4--convertible: authorized, 120,000 shares; no shares issued or outstanding.. -- -- Common stock--authorized, 22,000,000 shares; issued, 5,587,068 shares in 2001 and 5,742,468 shares 2002, with no stated value.............................. 856,664 873,156 Capital surplus (Note 19).. 831,105 850,835 Retained earnings (Notes 20 and 32): Appropriated for legal reserve.. 221,689 236,537 Unappropriated... 271,246 11,593 Accumulated other changes in equity from nonowner sources, net of taxes........... 907,424 523,250 -------------- -------------- Total... 3,310,228 2,717,471 Less treasury stock, at cost--72,541 common shares in 2001 and 169,639 common shares in 2002... 108,932 90,974 -------------- -------------- Shareholders' equity--net.. 3,201,296 2,626,497 -------------- -------------- Total... (Yen)93,488,950 (Yen)94,365,114 ============== ============== -------- (*) The number of shares in 2001 has been adjusted to reflect the stock-for-stock exchanges on April 2, 2001 creating MTFG (see Note 2). See the accompanying notes to Consolidated Financial Statements. F-3 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 2000 2001 -------------- --------------- (in millions) Interest income: Loans, including fees (Note 5)... (Yen)1,494,071 (Yen) 1,476,209 Deposits in other banks... 136,330 236,626 Investment securities: Interest.. 326,920 305,832 Dividends.. 73,246 62,849 Trading account assets... 15,706 16,954 Call loans and funds sold... 21,707 28,499 Receivables under resale agreements and securities borrowing transactions............. 97,663 156,005 -------------- --------------- Total... 2,165,643 2,282,974 -------------- --------------- Interest expense: Deposits.. 600,107 774,512 Debentures... 51,718 32,285 Call money and funds purchased.. 16,068 22,452 Payables under repurchase agreements and securities lending transactions.............. 109,389 238,233 Due to trust account.. 32,413 27,825 Other short-term borrowings and trading account liabilities........................... 84,349 37,230 Long-term debt... 192,082 178,081 -------------- --------------- Total... 1,086,126 1,310,618 -------------- --------------- Net interest income.. 1,079,517 972,356 Provision for credit losses (Notes 5 and 6).. 372,449 797,081 -------------- --------------- Net interest income after provision for credit losses................................. 707,068 175,275 -------------- --------------- Non-interest income: Fees and commissions (Note 26)... 369,156 459,403 Foreign exchange gains--net (Note 3).. 32,578 -- Trading account profits--net (Note 3).. -- 229,508 Investment securities gains--net (Note 4)... 79,845 232,502 Other non-interest income.. 38,313 34,411 -------------- --------------- Total... 519,892 955,824 -------------- --------------- Non-interest expense: Salaries and employee benefits (Note 16)... 429,403 403,739 Occupancy expenses--net (Notes 7 and 25).. 130,111 137,373 Foreign exchange losses--net (Note 3).. -- 104,617 Trading account losses--net (Note 3).. 143,065 -- Losses on other real estate owned.. 70,200 16,434 Goodwill amortization... 2,862 4,444 Other non-interest expenses.. 448,701 460,903 -------------- --------------- Total... 1,224,342 1,127,510 -------------- --------------- Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle.. 2,618 3,589 Income tax expense (benefit) (Note 8).. 50,160 62,763 -------------- --------------- Loss before cumulative effect of a change in accounting principle..................... (47,542) (59,174) Cumulative effect of a change in accounting principle, net of tax.................... -- -- -------------- --------------- Net loss.. (Yen) (47,542) (Yen) (59,174) ============== =============== Income attributable to preferred shareholders.. (Yen) 5,464 (Yen) 8,336 -------------- --------------- Net loss attributable to common shareholders... (Yen) (53,006) (Yen) (67,510) ============== =============== (in Yen) Amounts per share (*) (Notes 20 and 22): Basic and diluted loss per common share--loss before cumulative effect of a change in accounting principle... (Yen)(9,663.81) (Yen)(12,274.55) Basic and diluted loss per common share--net loss.................................... (9,663.81) (12,274.55) 2002 --------------- Interest income: Loans, including fees (Note 5)... (Yen) 1,276,821 Deposits in other banks... 159,784 Investment securities: Interest.. 336,278 Dividends.. 63,115 Trading account assets... 15,144 Call loans and funds sold... 19,318 Receivables under resale agreements and securities borrowing transactions............. 146,501 ---------------

Total.. 2,016,961 -------------- Interest expense: Deposits.. 485,643 Debentures.. 20,491 Call money and funds purchased.. 17,853 Payables under repurchase agreements and securities lending transactions............. 182,487 Due to trust account.. 16,683 Other short-term borrowings and trading account liabilities.......................... 46,567 Long-term debt... 169,339 -------------- Total.. 939,063 -------------- Net interest income.. 1,077,898 Provision for credit losses (Notes 5 and 6)... 601,689 -------------- Net interest income after provision for credit losses................................ 476,209 -------------- Non-interest income: Fees and commissions (Note 26).. 491,864 Foreign exchange gains--net (Note 3).. -- Trading account profits--net (Note 3)... 138,460 Investment securities gains--net (Note 4)... 20,598 Other non-interest income.. 49,819 -------------- Total.. 700,741 -------------- Non-interest expense: Salaries and employee benefits (Note 16).. 456,568 Occupancy expenses--net (Notes 7 and 25).. 134,787 Foreign exchange losses--net (Note 3).. 333,034 Trading account losses--net (Note 3).. -- Losses on other real estate owned.. 6,233 Goodwill amortization... 7,862 Other non-interest expenses... 562,699 -------------- Total.. 1,501,183 -------------- Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle.. (324,233) Income tax expense (benefit) (Note 8)... (101,832) -------------- Loss before cumulative effect of a change in accounting principle.................... (222,401) Cumulative effect of a change in accounting principle, net of tax.................... 5,867 -------------- Net loss... (Yen) (216,534) =============== Income attributable to preferred shareholders.. (Yen) 4,168 -------------- Net loss attributable to common shareholders... (Yen) (220,702) =============== Amounts per share (*) (Notes 20 and 22): Basic and diluted loss per common share--loss before cumulative effect of a change in accounting principle... (Yen)(40,789.57) Basic and diluted loss per common share--net loss.................................... (39,733.32) -------- (*) Amounts for the years ended March 31,2000 and 2001 have been adjusted to reflect the stock-for-stock exchanges on April 2, 2001 creating MTFG (see Note 2). See the accompanying notes to Consolidated Financial Statements. F-4 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 Gains (Losses) Income Tax Gains (Losses) before Income (Expense) Net of Income Taxes Benefit Taxes -------------- ------------ ------------- (in millions) Year ended March 31, 2000: Net loss.. (Yen) (47,542) ------------ Other changes in equity from nonowner sources: Net unrealized holding gains on investment securities available for sale.... 1,247,967 (521,880) 726,087 Reclassification adjustment for gains included in net loss................. (84,800) 35,414 (49,386) -------------- ------------ ------------ Total... 1,163,167 (486,466) 676,701 -------------- ------------ ------------ Minimum pension liability adjustments..................................... 43,160 (16,185) 26,975 -------------- ------------ ------------ Foreign currency translation adjustments.................................. (79,496) 15,213 (64,283) Reclassification adjustment for losses included in net loss................ 11,131 (4,163) 6,968 -------------- ------------ ------------ Total... (68,365) 11,050 (57,315) -------------- ------------ ------------ Total changes in equity from nonowner sources.............................. (Yen) 598,819 ============ Year ended March 31, 2001: Net loss.. (Yen) (59,174) ------------ Other changes in equity from nonowner sources: Net unrealized holding losses on investment securities available for sale... (874,301) 339,259 (535,042) Reclassification adjustment for gains included in net loss................. (275,460) 107,452 (168,008) -------------- ------------ ------------ Total... (1,149,761) 446,711 (703,050) -------------- ------------ ------------ Minimum pension liability adjustments..................................... (114,171) 39,735 (74,436) -------------- ------------ ------------ Foreign currency

translation adjustments.................................. 52,415 (15,415) 37,000 Reclassification adjustment for losses included in net loss................ 6,502 (1,438) 5,064 --------------- ------------- -------------
Total.. 58,917 (16,853) 42,064 --------------- ------------- ------------- Total changes in equity from nonowner sources.............................. (Yen)(794,596) ============= Year ended March 31, 2002: Net loss... (Yen)(216,534) ------------- Other changes in equity from nonowner sources: Net unrealized holding losses on investment securities available for sale... (Yen) (558,583) (Yen) 211,868 (346,715) Reclassification adjustment for gains included in net loss................. (46,325) 18,075 (28,250) --------------- ------------- ------------- Total.. (604,908) 229,943 (374,965) --------------- ------------- ------------- Cumulative effect of a change in accounting principle...................... 2,065 (808) 1,257 Net unrealized gains on derivatives qualifying for cash flow hedges......... 7,982 (2,916) 5,066 Reclassification adjustment for gains included in net loss................. (4,254) 1,627 (2,627) --------------- ------------- ------------- Total.. 5,793 (2,097) 3,696 --------------- ------------- ------------- Minimum pension liability adjustments..................................... (122,746) 30,815 (91,931) --------------- ------------- ------------- Foreign currency translation adjustments.................................. 84,355 (5,444) 78,911 Reclassification adjustment for losses included in net loss................ 115 -- 115 --------------- ------------- -------------
Total.. 84,470 (5,444) 79,026 --------------- ------------- ------------- Total changes in equity from nonowner sources.............................. (Yen)(600,708) ============= See the accompanying notes to Consolidated Financial Statements. F-5 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 2000 2001 2002 -------------- -------------- -------------- (in millions) Preferred stock (Class 1) (Note 18): Balance at beginning of year.. (Yen) 122,100 (Yen) 122,100 (Yen) 122,100 -------------- -------------- -------------- Balance at end of year........ (Yen) 122,100 (Yen) 122,100 (Yen) 122,100 ============== ============== ============== Preferred stock (Class 2) (Note 18): Balance at beginning of year.. (Yen) 100,000 (Yen) 100,000 (Yen) 100,000 -------------- -------------- -------------- Balance at end of year........ (Yen) 100,000 (Yen) 100,000 (Yen) 100,000 ============== ============== ============== Common stock (Note 19): Balance at beginning of year.. (Yen) 856,664 (Yen) 856,664 (Yen) 856,664 Issuance of common stock in exchange for the minority shares of NTB................ -- -- 16,492 -------------- -------------- -------------- Balance at end of year........ (Yen) 856,664 (Yen) 856,664 (Yen) 873,156 ============== ============== ============== Capital surplus (Note 19): Balance at beginning of year.. (Yen) 838,015 (Yen) 838,008 (Yen) 831,105 Issuance of common stock in exchange for the minority shares of NTB................ -- -- 16,120 Gains (losses) on sales of treasury stock, net of taxes. (7) (6,903) 3,610 -------------- -------------- -------------- Balance at end of year........ (Yen) 838,008 (Yen) 831,105 (Yen) 850,835 ============== ============== ============== Retained earnings appropriated for legal reserve (Note 20): Balance at beginning of year.. (Yen) 199,263 (Yen) 210,196 (Yen) 221,689 Transfer from unappropriated retained earnings............ 10,933 11,493 14,848 -------------- -------------- -------------- Balance at end of year (Note 32).......................... (Yen) 210,196 (Yen) 221,689 (Yen) 236,537 ============== ============== ============== Unappropriated retained earnings (Note 20): Balance at beginning of year.. (Yen) 510,134 (Yen) 398,263 (Yen) 271,246 Net loss...................... (47,542) (59,174) (216,534) -------------- -------------- -------------- Total..................... 462,592 339,089 54,712 -------------- -------------- -------------- Deduction: Cash dividends declared (Note 1) (*): Common share--(Yen)8,255.25, (Yen)8,255.25 and (Yen)4,127.63 per share in 2000, 2001 and 2002.... (47,932) (48,014) (24,103) Preferred share (Class 1)--(Yen)57,120.00, (Yen)82,500.00 and (Yen)41,250.00 per share in 2000, 2001 and 2002.... (4,649) (6,716) (3,358) Preferred share (Class 2)--(Yen)8,150.00, (Yen)16,200.00 and (Yen)8,100.00 per share in 2000, 2001 and 2002.... (815) (1,620) (810) Transfer to retained earnings appropriated for legal reserve............... (10,933) (11,493) (14,848) -------------- -------------- -------------- Total..................... (64,329) (67,843) (43,119) -------------- -------------- -------------- Balance at end of year (Note 32).......................... (Yen) 398,263 (Yen) 271,246 (Yen) 11,593 ============== ============== ============== Accumulated other changes in equity from nonowner sources, net of taxes: Net unrealized gains on investment securities available for sale (Note 4): Balance at beginning of year. (Yen)1,228,594 (Yen)1,905,295 (Yen)1,202,245 Net change during the year... 676,701 (703,050) (374,965) -------------- -------------- -------------- Balance at end of year....... (Yen)1,905,295 (Yen)1,202,245 (Yen) 827,280 -------------- -------------- -------------- Net unrealized gains on derivatives qualifying for cash flow hedges (Note 23): Cumulative effect of a change in accounting principle.................. (Yen) -- (Yen) -- (Yen) 1,257 Net change during the

year... -- -- 2,439 -------------- -------------- -------------- Balance at end of year....... (Yen) -- (Yen) -- (Yen) 3,696 -------------- -------------- -------------- Minimum pension liability adjustments (Note 16): Balance at beginning of year. (Yen) (42,903) (Yen) (15,928) (Yen) (90,364) Net change during the year... 26,975 (74,436) (91,931) -------------- -------------- -------------- Balance at end of year....... (Yen) (15,928) (Yen) (90,364) (Yen) (182,295) -------------- -------------- -------------- Foreign currency translation adjustments: Balance at beginning of year. (Yen) (189,206) (Yen) (246,521) (Yen) (204,457) Net change during the year... (57,315) 42,064 79,026 -------------- -------------- -------------- Balance at end of year....... (Yen) (246,521) (Yen) (204,457) (Yen) (125,431) -------------- -------------- -------------- Balance at end of year........ (Yen)1,642,846 (Yen) 907,424 (Yen) 523,250 ============== ============== ============== Treasury stock: Balance at beginning of year.. (Yen) (153,731) (Yen) (153,669) (Yen) (108,932) Purchase of treasury stock.... (1,089) (1,005) (7,381) Sale of treasury stock........ 1,093 46,057 25,339 Net decrease (increase) resulting from changes in consolidated subsidiaries.... 58 (315) -- -------------- -------------- -------------- Balance at end of year........ (Yen) (153,669) (Yen) (108,932) (Yen) (90,974) ============== ============== ============== Total shareholders' equity.... (Yen)4,014,408 (Yen)3,201,296 (Yen)2,626,497 ============== ============== ============== -------- (*) Amounts have been adjusted to reflect the stock-for-stock exchanges on April 2, 2001 creating MTFG (see Note 2). See the accompanying notes to Consolidated Financial Statements. F-6 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002 2000 2001 ---------------- ---------------- (in millions) Cash flows from operating activities: Net loss... (Yen) (47,542) (Yen) (59,174) Adjustments to reconcile net loss to net cash provided by (used in) operating activities: Depreciation and amortization... 91,696 93,216 Goodwill amortization... 2,862 4,444 Provision for credit losses... 372,449 797,081 Investment securities gains--net.. (79,845) (232,502) Foreign exchange losses (gains)--net.. (67,942) 24,241 Provision for deferred income tax benefit... (163,432) (40,372) Decrease (increase) in trading account assets, excluding foreign exchange contracts....... 691,232 (1,769,413) Increase (decrease) in trading account liabilities, excluding foreign exchange contracts.. (586,096) 227,502 Decrease (increase) in accrued interest receivable and other receivables................. 98,976 (44,750) Increase (decrease) in accrued interest payable and other payables........................ (145,175) 171,781 Other--net.. 123,403 (95,779) ---------------- ---------------- Net cash provided by (used in) operating activities................................... 290,586 (923,725) ---------------- ---------------- Cash flows from investing activities: Proceeds from sales of investment securities available for sale........................... 28,887,875 31,027,773 Proceeds from maturities of investment securities available for sale....................... 5,599,064 16,154,100 Purchases of investment securities available for sale...................................... (35,801,317) (50,785,346) Proceeds from maturities of investment securities being held to maturity.................. 201,174 79,579 Purchases of investment securities being held to maturity................................. (473,050) (211,016) Proceeds from sales of other investment securities.. 94,944 33,469 Purchases of other investment securities.. (61,290) (15,111) Net decrease (increase) in loans.. 2,191,104 884,808 Net decrease (increase) in interest-earning deposits in other banks....................... (2,181,666) (567,952) Net decrease (increase) in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions.. 1,383,239 (2,334,422) Capital expenditures for premises and equipment... (44,738) (54,405) Other--net.. (16,941) (132,794) ---------------- ---------------- Net cash used in investing activities... (221,602) (5,921,317) ---------------- ---------------- Cash flows from financing activities: Net increase in deposits.. 669,981 3,423,211 Net decrease in debentures.. (473,180) (1,135,584) Net increase (decrease) in call money, funds purchased, and payables under repurchase agreements and securities lending transactions.. (1,181,417) 4,286,605 Net increase (decrease) in due to trust account... 480,755 (7,758) Net increase (decrease) in other short-term borrowings.................................... (86,380) (65,043) Proceeds from issuance of long-term debt.. 1,034,625 1,159,777 Repayment of long-term debt... (499,654) (920,967) Proceeds from sales of treasury stock.. 1,082 34,878 Payments to acquire treasury stock... (1,089) (1,005) Dividends paid... (53,391) (56,342) Other--net.. 193,777 (282,109) ---------------- ---------------- Net cash provided by financing activities... 85,109 6,435,663 ---------------- ---------------- Effect of exchange rate changes on cash and cash equivalents................................ (47,071) 26,070 ---------------- ---------------- Net increase (decrease) in cash and cash equivalents....................................... 107,022 (383,309) Cash and cash equivalents at beginning of year... 2,005,955 2,112,977 ---------------- ---------------- Cash and cash equivalents at end of year.. (Yen) 2,112,977 (Yen) 1,729,668 ================ ================ Supplemental disclosure of cash flow information: Cash paid during the year for: Interest.. (Yen) 1,227,027 (Yen) 1,125,616 Income taxes, net of refunds.. 152,647 227,900 Non-cash investing activities: Loans transferred to other real estate owned.. 12,361 6,432 Investment securities being held to maturity transferred to available-for-sale category (Note 4)... -- 369,039 Marketable equity securities transferred to employee retirement benefit trusts (Note 16)... -- -- 2002 ---------------- Cash flows from operating activities: Net loss.. (Yen) (216,534) Adjustments to reconcile net loss to net cash provided by (used in) operating activities: Depreciation and amortization.. 105,094 Goodwill amortization... 7,862 Provision for credit losses.. 601,689 Investment securities gains--net... (20,598) Foreign exchange losses (gains)--net.. 524,272 Provision for deferred income tax benefit... (129,151) Decrease (increase) in trading account assets, excluding foreign exchange contracts....... (196,044) Increase (decrease) in trading account liabilities, excluding foreign exchange contracts... (1,604,006) Decrease (increase) in accrued interest receivable and other receivables................. 128,646 Increase (decrease) in accrued interest payable and other payables....................... (190,986) Other--net.. 67,013 ---------------- Net cash provided by (used in) operating activities................................... (922,743) ---------------- Cash flows from investing activities: Proceeds from sales of investment securities available for sale........................... 34,164,318 Proceeds from maturities of investment securities available for sale...................... 8,495,287 Purchases of investment securities available for sale..................................... (45,404,685) Proceeds from maturities of investment securities being held to maturity.................. 36,970 Purchases of investment securities being held to maturity................................. -- Proceeds from sales of other investment securities....................................... 53,872 Purchases of other investment securities.. (19,111) Net decrease (increase) in loans... (552,865) Net decrease (increase) in interest-earning deposits in other banks....................... 1,920,108 Net decrease (increase) in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions.. 927,975 Capital expenditures for premises and equipment.. (110,391) Other--net.. (58,366) ---------------- Net cash used in investing activities.. (546,888) ---------------- Cash flows from financing activities: Net increase in deposits.. 2,274,803 Net decrease in debentures.. (1,136,959) Net increase (decrease) in call money, funds purchased, and payables under repurchase agreements and securities lending transactions.. 88,080 Net increase (decrease) in due to trust account.. (1,390,493) Net increase (decrease) in other short-term borrowings................................... 1,355,660 Proceeds from issuance of long-term debt.. 884,991 Repayment of long-term debt.. (767,312) Proceeds from sales of treasury stock.. 32,577 Payments to acquire treasury stock... (7,381) Dividends paid... (28,275) Other--net.. 202,481 ---------------- Net cash provided by financing activities.. 1,508,172 --------------- Effect of exchange rate changes on cash and cash equivalents................................ 64,190 --------------- Net increase (decrease) in cash and cash equivalents.. 102,731 Cash and cash equivalents at beginning of year... 1,729,668 --------------- Cash and cash equivalents at end of year.. (Yen) 1,832,399 =============== Supplemental disclosure of cash flow information: Cash paid during the year for: Interest... (Yen) 1,127,859 Income taxes, net of refunds... 98,203 Non-cash investing activities: Loans transferred to other real estate owned.. 7,605 Investment securities being held to maturity transferred to available-for-sale category (Note 4).. -- Marketable equity securities transferred to employee retirement benefit trusts (Note 16).. 133,158 See the accompanying notes to Consolidated Financial Statements. F-7 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Basis of Financial Statements On April 2, 2001, Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG") was established, as a bank holding company, through which The Bank of Tokyo-Mitsubishi, Ltd. ("BTM"), The Mitsubishi Trust and Banking Corporation ("Mitsubishi Trust"), and Nippon Trust Bank Limited ("NTB"), a former subsidiary of BTM, have become wholly-owned subsidiaries pursuant to stock-for-stock exchanges. The business combination was accounted for as a pooling of interests and, accordingly, the historical information has been restated as if the combination had been in effect for all periods presented. See Note 2 for further information regarding the business combination. The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which MTFG is incorporated and principally operates. The accompanying consolidated financial statements have been prepared on the basis of generally accepted accounting principles and prevailing practices within the banking industry in the United States of America. In certain respects, the accompanying consolidated financial statements reflect adjustments which are not included in the consolidated financial statements issued by MTFG and certain of its subsidiaries in accordance with applicable statutory requirements and accounting practices in the countries of incorporation. The major adjustments include those relating to (1) investment securities, (2) derivative financial instruments, (3) allowance for credit losses, (4) income taxes, (5) foreign currency translation, (6) premises and equipment, (7) transfer of financial assets, (8) pension liability, (9) other real estate owned, and (10) lease transactions. Fiscal periods of certain subsidiaries, which ended on or after December 31, and MTFG's fiscal year, which ended on March 31, have been treated as coterminous. For the fiscal years ended March 31, 2000, 2001 and 2002, the effect of recording intervening events for the three-month periods ended March 31 on MTFG's proportionate equity in net income of subsidiaries with fiscal periods ending on December 31, would have been (Yen)0.57 billion, (Yen)4.74 billion and (Yen)2.29 billion, respectively. No intervening events occurred during each of the three-month periods ended March 31, 2001 and 2002 which, if recorded, would have had effects of more than 1% of total assets, loans, total liabilities, deposits or shareholders' equity as of March 31, 2001 and 2002. Description of Business MTFG and its subsidiaries (together, the "MTFG Group") conduct domestic and international financial business through BTM and Mitsubishi Trust, each of the principal subsidiaries of MTFG having domestic and international networks of branches, offices and subsidiaries in Japan and around the world. BTM is a major commercial banking institution, providing a broad range of financial services to consumers and corporations through commercial banking, investment banking and other activities. NTB was one of the major subsidiaries of BTM before the business combination and was acting as a trust vehicle for BTM and was merged with and into Mitsubishi Trust on October 1, 2001. Mitsubishi Trust is a trust and banking subsidiary whose primary business encompasses banking, asset management and administration, fiduciary and agency services, real estate services. MTFG management recognizes that BTM and Mitsubishi Trust, including their subsidiaries, conducting each of their business with substantial autonomy, constitute principal segments of the MTFG Group. See Note 27 for more information by business segment Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the F-8 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term primarily relate to the determination of the allowance for credit losses on loans and off-balance-sheet credit instruments, deferred tax assets, derivative financial instruments, other real estate owned and decline in value of marketable equity securities and impairment of loan portfolio subsequent to the balance-sheet date. Summary of Significant Accounting Policies Significant accounting policies applied in the accompanying consolidated financial statements are summarized below: Consolidation--The consolidated financial statements include the accounts of MTFG and its subsidiaries over which substantive control is exercised through either majority ownership of voting stock and/or other means, including, but not limited to, the possession of the power to direct or cause the direction of the management and policies of entities. In situations in which the MTFG Group has less than 100% but greater than 50% of ownership in entities, such entities are consolidated and minority interests are also recorded in Other Liabilities. Minority interests in earnings or losses of subsidiaries are reported in Other Non-interest Expense. Intercompany items have been eliminated. Investments in affiliated companies (companies over which the MTFG Group has the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in Other Assets. MTFG's equity interest in the earnings of these equity investees and gains or losses realized on disposition of investments are reported in Other Non-interest Income or Expense. Assets that the MTFG Group holds in an agency, fiduciary or trust capacity are not assets of the MTFG Group and, accordingly, are not included in the accompanying consolidated balance sheets. Cash Flows--For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the consolidated balance sheets under the caption Cash and Due from Banks, all of which mature within 90 days. Cash flows from qualified hedging activities are classified in the same category as the item being hedged. Translation of Foreign Currency Financial Statements and Foreign Currency Transactions--Financial statements of overseas entities are translated into Japanese yen using the respective year-end exchange rates for assets and liabilities. Income and expense items are translated at average rates of exchange for the respective periods. Except for overseas entities located in highly inflationary economies, foreign currency translation gains and losses related to the financial statements of overseas entities of the MTFG Group, net of related income tax effects, are credited or charged directly to Foreign Currency Translation Adjustments, a component of accumulated other changes in equity from nonowner sources. Tax effects of gains and losses on foreign currency translation of financial statements of overseas entities are not recognized unless it is apparent that the temporary difference will reverse in the foreseeable future. If applicable, foreign exchange translation gains and losses pertaining to entities located in highly inflationary economies are recorded in Foreign Exchange Gains or Losses--Net, as appropriate. For these entities, premises and equipment and the related depreciation and amortization thereof are translated at exchange rates prevailing at dates of acquisition. Foreign currency denominated assets and liabilities are translated into Japanese yen at the respective year-end exchange rates and resulting gains or losses are included in earnings. Income and expenses are translated using average rates of exchange for the respective periods. Gains and losses from such translation are included in Foreign Exchange Gains or Losses--Net, as appropriate. F-9 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Repurchase Agreements, Securities Lending and Other Secured Financing Transactions--Securities sold with agreements to repurchase ("repurchase agreements") and securities purchased with agreements to resell ("resale agreements") are generally treated as sales of securities with related off-balance-sheet forward repurchase commitments and purchases of securities with related off-balance-sheet forward resale commitments, respectively. Securities lending and borrowing transactions are generally treated as secured financing and lending. A transfer of securities is accounted for as a sale if it meets the relevant conditions for the surrender of control as provided by Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125." If the conditions are not met, the transfer is accounted for as collateralized financing and lending. On April 1, 2001, the MTFG Group adopted SFAS No. 140, which revises the standards for accounting for the securitization and other transfers of financial assets and collateral, and requires certain disclosures, but carries over most of SFAS No. 125's provisions. SFAS No. 140 is effective for the transfer and servicing of financial assets and extinguishment of liabilities occurring after March 31, 2001, except for certain disclosures of securitizations of financial assets accounted for as sales and disclosures of collateral pledged, which was effective for fiscal years ended after December 15, 2000. SFAS No. 140 modifies the criteria for determining whether the transferor has relinquished control of assets and, therefore, whether the transfer should be accounted for as a sale. The adoption of SFAS No. 140's provisions that are applicable after March 31, 2001 did not have a material impact on the MTFG Group's financial position or results of operations. Collateral--For secured lending transactions, including resale agreements, securities borrowing transactions, commercial lending and derivative transactions, the MTFG Group, as a secured party, has the right to require collateral, including letters of credit, and cash, securities and other financial assets. The MTFG Group maintains strict levels of collateralization governed by daily mark-to-market analysis for most securities lending transactions. Financial assets pledged as collateral are generally negotiable financial instruments and are permitted to be sold or repledged by secured parties. If the MTFG Group sells these financial assets pledged as collateral, it recognizes the proceeds from the sale and its obligation to return the collateral. For secured borrowing transactions, principally repurchase agreements and securities lending transactions and derivative transactions, where the secured party has the right to sell or repledge financial assets pledged as collateral, the MTFG Group separately reports those financial assets pledged as collateral in the consolidated balance sheets. Trading Account Securities--Trading account securities (i.e., securities and money market instruments held in anticipation of short-term market movements and for resale to customers) are included in Trading Account Assets, and short trading positions of instruments are included in Trading Account Liabilities. Trading positions are carried at fair value on the consolidated balance sheets and recorded on a trade date basis. Changes in the fair value of trading positions are recognized currently in Trading Account Profits or Losses--Net, as appropriate. Investment Securities--Debt securities for which the MTFG Group has both the positive intent and ability to hold to maturity are classified as Securities Being Held to Maturity and carried at amortized cost. The MTFG Group maintains a portfolio of securities being held to maturity that had been classified by Mitsubishi Trust before the business combination on April 2, 2001. In the year ended March 31, 2001, BTM changed its intent to hold securities and transferred securities previously classified as held to maturity and transferred such securities to the available-for-sale category. Any remaining securities in BTM's held-to-maturity portfolio were reclassified as securities available for sale for the year ended March 31, 2001. All subsequent acquisitions of securities are classified as either available for sale or trading for at least two years. Debt securities that the MTFG Group may not hold to maturity and marketable equity securities, other than those classified as trading securities, are classified as Securities Available for Sale, and are carried at their fair values, with unrealized gains and losses F-10 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) reported on a net-of-tax basis within accumulated other changes in equity from nonowner sources, which is a component of shareholders' equity. Nonmarketable equity securities are stated at cost as Other Investment Securities. Individual debt and equity securities are written down to fair value and the amount of write-down is charged to operations when, in the opinion of management, a decline in estimated fair value below the cost of such securities is other than temporary. Interest and dividends on investment securities are reported in Interest Income. Dividends are recognized when the shareholders' right to receive dividend is established. Gains and losses on disposition of investment securities are computed using the average cost method and are recognized on the trade date. Derivative Financial Instruments--The MTFG Group engages in derivative activities involving swaps, forwards and options, and other types of derivative contracts. Derivatives are used in trading activities to generate trading revenues and fee income for its own account and to respond to the customers' financial needs. Derivatives are also used to manage its exposures to fluctuations in interest and foreign exchange rates, equity and commodity prices. Derivatives entered into for trading purposes are carried at fair value and are reported as Trading Account Assets or Trading Account Liabilities. Fair values are based on market or broker-dealer quotes when available. Valuation models such as present value and pricing models are applied to current market information to estimate fair values when such quotes are not available. The fair value of derivative contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. Change in the fair value of such contracts are recognized currently in Foreign Exchange Gains or Losses--Net with respect to foreign exchange contracts and in Trading Account Profit or Losses--Net with respect to interest rate contracts and other types of contracts. Embedded derivatives that are not clearly and closely related to the host contracts and meet the definition of derivatives are separated from the host contracts and measured at fair value unless the contracts embedding derivatives are measured at fair value in its entirety. Derivatives are used for asset and liability management to manage exposures to fluctuations in interest and foreign exchange rates arising from mismatches of asset and liability positions. Such derivatives may include contracts that qualify for hedge accounting. Derivatives are evaluated in order to determine if they qualify for hedge accounting. The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged. Any ineffectiveness, which arises during the hedging relationship, is recognized in Non-interest Expense in the period in which it arises. All qualifying hedges are valued at fair value and included in Other Assets or Other Liabilities. For fair value hedges of interest-bearing assets or liabilities, the change in the fair value of the hedged item and the hedging instruments to the extent effective is recognized in net interest income. For all other fair value hedges, the change in the fair value of the hedged item and change in fair value of the derivative are recognized in non-interest income or expense. For cash flow hedges, the unrealized changes in fair value to the extent effective are recognized in accumulated other changes from nonowner sources. Amounts realized on cash flow hedges related to variable rate loans are recognized in net interest income in the period when the cash flow from the hedged item is realized. The fair value of cash flow hedges related to forecasted transactions, if any, is recognized in non-interest income or expense in the period when the forecasted transaction occurs. Any difference that arises from gains or losses on hedging derivatives offsetting corresponding gains or losses on the hedged items, and gains and losses on derivatives attributable to the risks excluded from the assessment of hedge effectiveness are currently recognized in non-interest income or expense. Derivatives that do not qualify for hedge accounting are considered trading positions and are accounted for as such. Prior to the adoption of SFAS No.133, fair value of derivatives used for hedging purposes generally were not recorded on the consolidated balance sheet. Amounts payable and receivable on interest rate swap and F-11 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) currency swap were accrued according to the contractual terms and included in the related revenue and expense category as an element of the yield on the associated instruments. On April 1, 2001, the MTFG adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138, which establishes accounting and reporting standards for derivative instruments, as well as certain derivative instruments embedded in other contracts, and for hedging activities. The cumulative effect of the change in accounting principle, net of tax, was a gain of (Yen)5,867 million and an increase of (Yen)1,257 million in accumulated other changes in equity from nonowner sources. Loans--Loans are carried at the principal amount outstanding, adjusted for unearned income and deferred net nonrefundable loan fees and costs. Loans held and intended for dispostions or sales in secondary market are carried at the lower of cost or estimated fair value generally on an individual basis. Loan origination fees, net of certain direct origination costs are deferred and recognized over the contractual life of the loan as an adjustment of yield using the method that approximates the interest method. Interest income on loans that are not impaired are accrued and credited to interest income as it is earned. Unearned income and discount and premium of a purchased loan is deferred and recognized over the life of the loan using the method that approximates the interest method. Loans are generally placed on nonaccrual status when substantial doubt exist as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due, except when the loans are in the process of collection based upon the judgment of management. A nonaccrual loan may be restored to an accrual basis when interest and principal payments are current and management expects that the borrower will make future contractual payments as scheduled. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. Cash receipts on nonaccrual loans, for which the ultimate collectibility of principal is uncertain, are applied as principal reductions; otherwise, such collections are credited to income. The MTFG Group does not capitalize any accrued interest in its principal balances of impaired loans at each balance sheet date. Loan Securitization--The MTFG Group securitizes and services commercial and industrial loans in the normal course of business. The MTFG Group accounts for a transfer of loans in a securitization transaction as a sale if it meets relevant conditions for the surrender of control in accordance with SFAS No. 140. Otherwise, the transfer is accounted for as a collateralized borrowing transaction. Interests in loans sold through a securitization accounted for as a sale may be retained in the form of subordinated tranches or beneficial interests. These retained interests are primarily recorded in Securities Available for Sale. The previous carrying amount of the loans involved in the transfer is allocated between the loans sold and the retained interest based on their relative fair values at the date of the securitization. Since quoted market prices are generally not available, the MTFG Group usually estimates fair value of these retained interests by determining the present value of future expected cash flows using modeling techniques that involve management's best estimates of key assumptions, which may include default rates, recovery rates, and discount rates. Retained interests that can contractually be prepaid or otherwise settled in such a way that the MTFG Group would not recover substantially all of its investment are accounted for as investment securities available for sale. Allowance for Credit Losses--The MTFG Group maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. Actual credit losses (amounts deemed uncollectible, in whole or in part), net of recoveries, are deducted from the allowance for credit losses, as net charge-offs. A provision for credit losses, which is a charge against earnings, is added to bring the allowance to a level which, in management's opinion, is appropriate to absorb probable losses inherent in the credit portfolio. F-12 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, the MTFG Group evaluates the probable loss by category of loan based on its type and characteristics. The allowance for credit losses for non-homogeneous loans consists of an allocated allowance for specifically identified problem loans, an allocated allowance for country risk exposure, a formula allowance, an unallocated allowance. An allocated allowance is also established for large groups of smaller-balance homogeneous loans. Non-homogeneous loans such as commercial loans are evaluated individually and the allowance for such loans is comprised of specific, country risk, formula and unallocated allowances. The credit loss allowance for individual customers represents the impairment allowance determined in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." The MTFG Group measures the impairment of a loan, with the exception of groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, based on the present value of expected future cash flows discounted at the loan's effective interest rate, or on the loan's observable market price, or based on the fair value of the collateral if the loan is collateral dependent, when it is probable that the MTFG Group will be unable to collect all amounts due according to the contractual terms of the loan agreement. For certain subsidiaries, some impaired loans are aggregated for the purpose of measuring impairment using historical loss factors. Generally, the MTFG Group's impaired loans include nonaccrual loans, restructured loans and other loans specifically recognized for impairment. The credit loss allowance for country risk exposure is a country-specific allowance for substandard, special mention and unclassified loans. The allowance is established to supplement the formula allowance for these loans, based on an estimate of probable losses relating to the exposure to countries that are identified by management to have a high degree of transfer risk. The measure is generally based on a function of default probability and recovery ratio with reference to external credit ratings. For allowance for specifically identified cross-border problem loans, the MTFG Group incorporates transfer risk in its determination of related allowance for credit losses. The formula allowance is calculated by applying loss factors to outstanding substandard, special mention and unclassified loans. The evaluation of inherent loss for these loans involves a high degree of uncertainty, subjectivity and judgment because probable credit losses are not easily identifiable or measurable. In determining the formula allowance, the MTFG Group, therefore, relies on a mathematical calculation that incorporates loss factor percentages of total loans outstanding based on historical experience. Corresponding to the periodical impairment identification and self-assessment process, the estimation of formula allowance is back-tested comparing with the actual results subsequent to the balance sheet date. With respect to BTM, before the fiscal year ended March 31, 2001, the average annual charge-offs rate over a designated time period by the category of substandard, special mention and unclassified loans was used as a basis for the historical loss experience, adjusted for recent changes in trends and economic conditions. On April 1, 1996, BTM implemented a new credit rating system to capture default data by credit risk rating and started accumulating historical data for borrowers' default and recovery from defaulted loans. On March 31, 2001, BTM decided that it had accumulated sufficient data and began estimating credit losses using methodology defined by the new 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 represents the survivability of individual borrowers by each credit risk rating over the defined observation period and is determined by credit risk rating, taking into account the historical number of defaults of borrowers within each F-13 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) credit risk rating divided by the total number of borrowers within such credit risk rating existing at the beginning of the observation period. The recovery ratio is determined by the historical experience of collections against loans in default. This change resulted in an increase to the provision for credit losses of (Yen)17,620 million, and an increase in net loss of (Yen)10,924 million, equivalent to (Yen)2.34 per basic and diluted loss per share, for the year ended March 31, 2001. The unallocated allowance is composed of attribution factors, which are based upon management's evaluation of various conditions that are not directly measured in the determination of the allocated allowance. The conditions evaluated in connection with the unallocated allowance may include existing general economic and business conditions affecting the key lending areas of the MTFG Group, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions within portfolio segments, recent loss experience in particular segments of the portfolio, duration of the current business cycle, bank regulatory examination results and findings of the MTFG Group's internal credit examiners. The credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pool rather than on a detailed analysis of individual loans. The allowance is determined primarily based on probable net charge-offs and the probability of insolvency based on the number of delinquencies. Allowance for Off-Balance-Sheet Credit Instruments--The MTFG Group maintains an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, standby letters of credit and other financial instruments. The allowance is recorded as a liability and includes the specific allowance for specifically identified credit exposure and the allocated formula allowance. With regard to the specific allowance for specifically identified credit exposure and allocated formula allowance, the MTFG Group adopts the same methodology used in determining the allowance for loan credit losses. As described in "Allowance for Credit Losses" above, in the year ended March 31, 2001 BTM refined its methodology for estimating credit losses. Credit losses related to derivatives carried at fair value are considered in the fair valuation of the derivatives. The MTFG Group periodically assesses the credit exposures related to individual investment assets within trust accounts in order to determine the level of allowance required for guarantees for repayment of certain trust principal. Provisions for credit losses are recognized in the consolidated financial statements when, in the opinion of management, aggregate credit losses are judged to exceed the statutory reserve set aside within the trust account and profits earned during each trust accounting period, and the trust principal is deemed to be impaired. Net changes in the allowance for off-balance-sheet credit instruments are accounted for as Other Non-interest Expense. Premises and Equipment is stated at cost less accumulated depreciation and amortization. Depreciation is charged to operating expenses over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the terms of the respective leases or the estimated useful lives of the improvements, whichever are shorter. Depreciation of premises and equipment is computed under the declining-balance method with respect to premises and equipment of BTM, Mitsubishi Trust and certain other subsidiaries, and under the straight-line method with respect to premises and equipment of other subsidiaries, at rates principally based on the following estimated useful lives: Years -------- Buildings.............. 15 to 50 Equipment and furniture 2 to 15 Leasehold improvements. 3 to 39 F-14 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Maintenance, repairs and minor improvements are charged to operating expenses as incurred. Major improvements are capitalized. Net gains or losses on dispositions of premises and equipment are included in Other Non-interest Income or Expense, as appropriate. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount to future undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less estimated cost to sell. Other Real Estate Owned--Real estate assets acquired in full or partial satisfaction of debt are held for sale, and are initially recorded at fair value less estimated cost to sell at the date of acquisition and classified as Other Assets. After acquisition, valuations are periodically performed by management and the real estate assets are carried at the lower of the carrying amount or fair value less estimated cost to sell. Routine holding costs, subsequent declines in appraisal value, and net gains or losses on disposal are included in Losses on Other Real Estate Owned as incurred. Goodwill--The MTFG Group has classified as goodwill (included in Other Assets) the excess of the cost of the MTFG Group's investments in subsidiaries and affiliated companies over the MTFG Group's share of net assets at dates of acquisition in purchase transactions. Goodwill is being amortized over periods not exceeding 10 years. Semiannually, the MTFG Group assesses the recoverability of goodwill for impairment. For that purpose, the MTFG Group generally uses expected future undiscounted cash flows to be produced by each subsidiary and affiliated company. Future cash flows are primarily provided from operating activities and the MTFG Group focuses on the historical results of operations, adjusted for current earnings projections and certain available information, in order to estimate future cash flows. When goodwill exceeds the expected future undiscounted cash flows, an impairment is calculated as the difference between the present value of expected future cash flows and its carrying value. On April 1, 2002, the MTFG Group adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which provides goodwill acquired in a purchase business combination should not be amortized and is subject to the impairment test. Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. An impairment loss, if any, will be recognized to the extent that the carrying amount of goodwill exceeds its implied fair value. Software--The MTFG Group capitalizes certain costs associated with the acquisition or development of internal-use software. Costs subject to capitalization are salaries and employee benefits for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project. Once the software is ready for its intended use, the MTFG Group begins to amortize capitalized costs on a straight-line basis over a period not longer than 5 years. Accrued Severance and Pension Liabilities--BTM, Mitsubishi Trust and certain other subsidiaries have defined benefit retirement plans, including lump-sum severance indemnities plans. The costs of the plans, based on actuarial computations of current and future employee benefits, are charged to Salaries and Employee Benefits. Debentures and Long-Term Debt--Premiums, discounts and issuance costs of debentures and long-term debt are amortized based on the method that approximates the interest method over the terms of the debentures and long-term debt. Fees and Commissions--Commission and fees on international business primarily consist of fees from international funds transfer and collection services, and trade-related financing services. Commissions and fees F-15 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) on credit card business are composed of interchange income, annual fees, royalty and other service charges from franchisees. Other fees and commissions primarily include fees from investment banking service, including underwriting, brokerage and advisory services, arrangement fees on securitizations, service charges on deposit accounts, fees on guarantees, and fees on other services. Revenue recognition of major components of fees and commissions is as follows; (1) fees on funds transfer and collection services, fees from investing banking services are generally recognized as revenue when the related services are performed, (2) fees from trade-related financing services are recognized over the period of the financing, (3) trust fees are recorded on an accrual basis, generally based on the volume of trust assets under management and/or the operating performance for the accounting period of each trust account. With respect to trust accounts with guarantee of trust principal, trust fees are determined based on the profits earned by individual trust account during the trust accounting period, less provision for statutory reserve, impairment for individual investments and dividends paid to beneficiary certificate holders. The trust fees for these trust accounts are accrued based on the amounts expected to be earned during the accounting period of each trust account, (4) annual fees and royalty and other service charges related to the credit card business are recorded on a straight-line basis as services are provided, (5) interchange income from credit card business is recognized as billed, (6) service charges on deposit accounts, fees on guarantees, and fees and commissions from other services are generally recognized over the period that the service is provided. Income Taxes--The provision for income taxes is determined using the asset and liability method of accounting for income taxes. Under this method, deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized. The provision for deferred taxes is based on the change in the net deferred tax asset or liability from period to period. Free Distributions of Common Shares--As permitted by the Commercial Code of Japan (the "Code"), Japanese companies, upon approval by the Board of Directors, may make a free distribution of shares, in the form of a "stock split" as defined, to shareholders. In accordance with accepted accounting practice in Japan, such distribution does not give rise to any change in capital stock or capital surplus account. Common shares distributed are recorded as shares issued on the distribution date. See Note 19. Amounts per Common Share--Basic earnings per share ("EPS") excludes dilutive effects of potential common shares and is computed by dividing income available to common stock shareholders by the weighted average number of common shares outstanding for the period, while diluted EPS gives effect to all dilutive potential common shares that were outstanding during the period. See Note 22 for the computation of basic and diluted EPSs. Comprehensive Income (Loss)--The MTFG Group's comprehensive income includes net income or loss and other changes in equity from nonowner sources. All changes in unrealized gains and losses on investment securities available for sale, unrealized gains and losses on derivatives qualifying for cash flow hedges, minimum pension liability adjustments and foreign currency translation adjustments constitute the MTFG Group's changes in equity from nonowner sources and are presented, with related income tax effect, in the consolidated statements of changes in equity from nonowner sources. Recently Issued Accounting Pronouncements Business Combination, Goodwill and Other Intangible Assets--Effective July 1, 2001, the MTFG Group adopted, the provisions of SFAS No. 141, "Business Combination," and certain provisions of SFAS No. 142, F-16 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) "Goodwill and Other Intangible Assets" as required for goodwill and intangible assets resulting from business combinations consummated after June 30, 2001. These statements require that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. The nonamortization provisions of the new rules affecting goodwill and intangible assets deemed to have indefinite lives are effective for all purchase business combinations completed after June 30, 2001. Based on amortization expense recorded in the year ended March 31, 2002, the MTFG Group estimates that the elimination of goodwill amortization expense will increase net income by approximately (Yen)8 billion subject to the impairment test. SFAS No. 142 became effective for the MTFG Group on April 1, 2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 142 requires that goodwill be recorded at the reporting unit level for the impairment test. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. At March 31, 2002, the MTFG Group had unamortized goodwill of (Yen)41,386 million. Impairment or Disposal of Long-Lived Assets--In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets by establishes additional criteria as compared to existing generally accepted accounting principles to determine when a long-lived asset is held for sale. It also broadens the definition of discontinued operations. The MTFG Group does not expect the adoption of SFAS No. 144 to have a material impact on the results of operations or financial position. In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). The provisions of SFAS No. 145 related to the rescission of Statement No. 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30 for classification as an extraordinary item shall be reclassified. The provisions of this Statement related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of SFAS No. 145 are effective for financial statements issued on or after May 15, 2002. The MTFG Group does not expect the adoption of SFAS No.145 to have a material impact on the results of operations or financial position. 2. BUSINESS COMBINATION As discussed in Note 1, on April 2, 2001, MTFG was established as a bank holding company through which BTM, Mitsubishi Trust and NTB have become wholly-owned subsidiaries pursuant to stock-for-stock exchanges. 5,742 thousand shares of MTFG's common stock were issued in exchange for all of the outstanding shares of BTM's, Mitsubishi Trust's and NTB's common stock based on exchange ratio of 1.00, 0.70 and 0.14 shares of MTFG's common stock for each 1,000 shares of BTM, Mitsubishi Trust and NTB, respectively. Each 1,000 shares of BTM's Class 1 Preferred Stock and each 1,000 shares of Mitsubishi Trust's Class 1 Preferred Stock were exchanged for a share of Class 1 and Class 2 Preferred Stock of MTFG, respectively. The business combination was accounted for under the pooling-of-interests method and, accordingly, the historical financial information has been restated as if the business combination had been in effect for all the periods presented. The stock-for-stock exchanges also involved the exchange of 27,951 shares of MTFG's common stock of (Yen)33.0 billion at fair value with 199,655 thousands of common shares held by NTB's minority shareholders, which has been accounted for as a purchase. F-17 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The following table sets forth certain financial data with respect to the combined and separate results of BTM and Mitsubishi Trust for the two years ended March 31, 2001. The results for NTB are included within BTM because NTB had been a consolidated subsidiary of BTM before the consummation of the business combination. 2000 2001 ------------- ------------- (in millions) Interest income and non-interest income: BTM.. (Yen)2,326,137 (Yen)2,561,842 Mitsubishi Trust... 503,643 674,135 ------------- ------------- Total... 2,829,780 3,235,977 Adjustments to eliminate securities unrealized losses and impairment losses of cross- shareholding of common stock... -- 23,827 Adjustment to reflect the combining interests in consolidated subsidiaries and equity method investees.. 79 413 Elimination of other intercompany transactions...................................... (6,899) (21,419) Reclassification to conform to the combined presentation of MTFG (see note).......... (137,425) -- ------------- ------------- Combined, as restated... (Yen)2,685,535 (Yen)3,238,798 ============== ============= Net income (loss): BTM... (Yen) 35,475 (Yen) (107,684) Mitsubishi Trust.. (83,330) 36,874 ------------- ------------- Total.. (47,855) (70,810) Adjustments to eliminate securities unrealized losses and impairment losses of cross- shareholding of common stock, net of related income taxes......................... 228 14,914 Adjustment to reflect the combining interests in consolidated subsidiaries and equity method investees, net of income taxes.. 1,019 431 Elimination of other intercompany transactions...................................... (934) (3,709) ------------- ------------- Combined, as restated... (Yen) (47,542) (Yen) (59,174) ============== ============= Accumulated other changes in equity from nonowner sources: BTM... (Yen)1,250,231 (Yen) 620,701 Mitsubishi Trust... 386,280 274,363 ------------- ------------- Total.. 1,636,511 895,064 Adjustments to eliminate securities unrealized losses and impairment losses of cross- shareholding of common stock, net of related income taxes......................... 6,910 12,494 Adjustment to reflect the combining interests in consolidated subsidiaries and equity method investees, net of income taxes.. (575) (134) ------------- ------------- Combined, as restated... (Yen)1,642,846 (Yen) 907,424 ============== ============= -------- Note: The combined and restated amounts of interest income and non-interest income presented above reflect reclassifications of certain revenue and expense items, including foreign exchange gains or losses, investment securities gains or losses and trading account profits and losses, all of which are presented on a net basis as non-interest income or expense in the MTFG Group's statements of operations. On October 1, 2001, as part of the business combination, NTB and The Tokyo Trust Bank, Ltd.("TTB"), which was another one of trust subsidiaries, merged with and into Mitsubishi Trust through a stock-for-stock exchange. This merger was recorded at historical cost as transfers and exchanges among entities under common control. F-18 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 3. TRADING ACCOUNT ASSETS AND LIABILITIES The following table shows trading account assets and liabilities, carried at estimated fair value, at March 31, 2001 and 2002. For trading derivative contracts executed under legally enforceable master netting agreements, related assets and liabilities are bilaterally offset and reported net by counterparty. March 31 ------------------------------- 2001 2002 -------------- -------------- (in millions) Trading account assets: Trading securities: Japanese government, prefectual and municipal bonds............. (Yen) 2,287,456 (Yen) 1,425,588 Commercial paper.. 1,151,217 2,804,750 Foreign governments bonds and other securities.................. 540,298 789,344 -------------- -------------- Total.. 3,978,971 5,019,682 -------------- -------------- Trading derivative assets: Interest rate contracts: Forward and futures... 123,523 141,377 Swap and swap-related products................................. 3,374,162 3,501,232 Options purchased... 89,236 75,371 -------------- -------------- Total.. 3,586,921 3,717,980 -------------- -------------- Foreign exchange contracts: Forward and futures... 1,204,655 612,148 Swaps... 398,715 463,794 Options purchased... 97,931 73,369 -------------- -------------- Total.. 1,701,301 1,149,311 -------------- -------------- Other contracts, mainly equity and credit-related contracts........ 133,697 178,481 Bilateral netting of derivatives under master netting agreements... (2,257,581) (2,568,201) -------------- -------------- Total.. (Yen) 7,143,309 (Yen) 7,497,253 =============== =============== Trading account liabilities: Trading securities sold, not yet purchased.......................... (Yen) 1,451,401 (Yen) 176,954 Trading derivative liabilities: Interest rate contracts: Forward and futures... 129,907 140,695 Swap and swap-related products................................. 2,863,792 3,122,510 Options written.. 79,010 78,720 -------------- -------------- Total.. 3,072,709 3,341,925 -------------- --------------

Foreign exchange contracts: Forward and futures.. 1,184,923 740,248 Swaps... 436,925 625,064 Options written... 80,336 66,977 -------------- -------------- Total.. 1,702,184 1,432,289 -------------- -------------- Other contracts, mainly equity and credit-related contracts........ 104,094 112,801 Bilateral netting of derivatives under master netting agreements... (2,257,581) (2,568,201) -------------- -------------- Total.. (Yen) 4,072,807 (Yen) 2,495,768 =============== ============== See Note 29 for the methodologies and assumptions used to estimate the fair values. F-19 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The MTFG Group performs trading activities through market-making, sales and arbitrage, while maintaining risk levels within appropriate limits in accordance with its risk management policy. Net trading gains or losses for the years ended March 31, 2000, 2001 and 2002 comprised the following: 2000 2001 2002 ------------- ------------- ------------ (in millions) Interest rate and other derivative contracts..... (Yen)(125,679) (Yen) 199,445 (Yen)149,301 Foreign exchange derivative contracts........... 82,220 (156,113) (78,020) Trading account securities, excluding derivatives (17,386) 30,063 (10,841) ------------- ------------- ------------ Net trading gains (losses)...................... (Yen) (60,845) (Yen) 73,395 (Yen) 60,440 ============= ============= ============ 4. INVESTMENT SECURITIES The amortized costs and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2001 and 2002 were as follows: 2001 2002 --- -------------- Gross Gross Estimated Amortized Unrealized Unrealized Fair Amortized Cost Gains Losses Value Cost --------------- ------------- ------------ --------------- -------------- (in millions) Securities available for sale: Debt securities: Japanese national government and Japanese government agency bonds................. (Yen) 7,940,554 (Yen) 87,352 (Yen) 9,219 (Yen) 8,018,687 (Yen) 9,887,613 Japanese prefectural and municipal bonds................. 313,124 10,383 -- 323,507 509,850 Foreign governments and official institutions bonds..... 1,855,497 45,614 8,823 1,892,288 2,761,296 Corporate bonds......... 2,419,632 40,061 9,703 2,449,990 2,232,789 Mortgage-backed securities............ 2,110,821 28,402 3,467 2,135,756 1,463,274 Other debt securities... 264,409 521 85 264,845 623,624 Marketable equity securities............. 4,274,469 2,463,485 92,112 6,645,842 3,877,975 --------------- ------------- ------------ -------------- -------------- Total..................... (Yen)19,178,506 (Yen)2,675,818 (Yen)123,409 (Yen)21,730,915 (Yen)21,356,421 =============== ============= ============ ============== ============== Securities being held to maturity--debt securities: Japanese government agency bonds............ (Yen) 114,489 (Yen) 5,629 (Yen) -- (Yen) 120,118 (Yen) 89,945 Japanese prefectural and municipal bonds......... 116,773 5,711 2 122,482 107,544 Foreign governments and official institutions bonds...... 72,469 3,306 14 75,761 69,529 Corporate bonds.......... 2,476 90 -- 2,566 2,664 Other debt securities.... -- -- -- -- 2,481 --------------- ------------- ------------ -------------- -------------- Total..................... (Yen) 306,207 (Yen) 14,736 (Yen) 16 (Yen) 320,927 (Yen) 272,163 =============== ============= ============ ============== ============== 2002 -- Gross Gross Estimated Unrealized Unrealized Fair Gains Losses Value ------------- ------------ -------------- Securities available for sale: Debt securities: Japanese national government and Japanese government agency bonds................. (Yen) 67,280 (Yen) 3,643 (Yen) 9,951,250 Japanese prefectural and municipal bonds................. 10,439 224 520,065 Foreign governments and official institutions bonds..... 106,298 44,940 2,822,654 Corporate bonds......... 64,976 8,198 2,289,567 Mortgage-backed securities............ 80,779 13,087 1,530,966 Other debt securities... 61,185 4,986 679,823 Marketable equity securities............. 2,010,664 400,148 5,488,491 ------------- ------------ -------------- Total..................... (Yen)2,401,621 (Yen)475,226 (Yen)23,282,816 ============= ============ ============== Securities being held to maturity--debt securities: Japanese government agency bonds............ (Yen) 4,321 (Yen) -- (Yen) 94,266 Japanese prefectural and municipal bonds......... 4,754 2 112,296 Foreign governments and official institutions bonds...... 3,293 -- 72,822 Corporate bonds.......... 95 -- 2,759 Other debt securities.... 100 -- 2,581 ------------- ------------ -------------- Total..................... (Yen) 12,563 (Yen) 2 (Yen) 284,724 ============= ============ ============== F-20 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Investment securities other than available for sale or being held to maturity (i.e., nonmarketable equity securities presented in Other investment securities) were carried at cost of (Yen)168,547 million and (Yen)129,498 million, at March 31, 2001 and 2002, respectively. The corresponding estimated fair values at those dates were not readily determinable. See Note 29 for the methodologies and assumptions used to estimate the fair values. The amortized cost and estimated fair value of debt securities being held to maturity and the estimated fair value of debt securities available for sale at March 31, 2002 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their original final maturities. Held-to-Maturity Available-for-Sale ------------------------ ----------------- Amortized Estimated Estimated Cost Fair Value Fair Value ----------- ----------- ----------------- (in millions) Due in one year or less......... (Yen) 67,992 (Yen) 69,782 (Yen) 4,722,980 Due from one year to five years. 112,575 118,888 9,868,444 Due from five years to ten years 91,596 96,054 2,359,905 Due after ten years............ -- -- 842,996 ----------- ----------- -------------- Total........................... (Yen)272,163 (Yen)284,724 (Yen)17,794,325 =========== =========== ============== For the years ended March 31, 2000, 2001 and 2002, proceeds from sales of securities available for sale were (Yen)28,887,875 million, (Yen)31,027,773 million and (Yen)34,164,318 million, respectively. For the years ended March 31, 2000, 2001 and 2002, gross realized gains on those sales were (Yen)394,863 million, (Yen)605,014 million and (Yen)492,145 million, respectively, and gross realized losses on those sales were (Yen)131,791 million, (Yen)107,640 million and (Yen)172,427 million, respectively. In September 2000, BTM changed its intent to hold securities originally classified as held-to-maturity and transferred (Yen)369 billion (carrying value) of such securities to the securities available for sale category while Mitsubishi Trust maintained its positive intent and ability to hold its held-to-maturity securities without any sales or transfers of securities being held to maturity during the years ended March 31, 2000 and 2001. As a result of the transfer, unrealized gains on securities available for sale were recorded against shareholders' equity and were not significant. The MTFG Group classifies all acquisitions of securities as either available for sale or trading for the period of two years after BTM's transfer of securities being held to maturity into another category. For the years ended March 31, 2000, 2001 and 2002, losses resulting from write-downs of investment securities to reflect the decline in value considered to be other than temporary were (Yen)184,581 million, (Yen)264,783 million and (Yen)293,861 million, respectively. Exchange Traded Fund During the year ended March 31, 2002, BTM transferred marketable equity securities to an exchange-traded fund ("ETF"), sponsored by an independent securities firm, BTM concurrently entered into the two separate agreements with the independent securities firm and BTM sold its marketable equity securities of (Yen)325,749 million at acquisition cost to an independent securities firm at the fair value of (Yen)391,698 million in accordance with these agreements. The securities firm contributed these marketable equity securities and additional securities purchased from the market to the ETF in order to link the ETF performance to TOPIX. Certificates issued by the F-21 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) ETF (the "ETF certificates") are linked to TOPIX (a composite index of all stocks listed on the first section of the Tokyo Stock Exchange ("TSE")) and have been listed on TSE. BTM purchased the ETF certificates at the fair value of (Yen)527,967 million with an intention to sell them in the market or to the securities firm in the near future. The MTFG Group accounted for the ETF certificates purchased from the securities firm as retained interests in the marketable equity securities transferred to the securities firm. The MTFG Group accounted for the transfer of marketable equity securities as a sale when the MTFG Group received as proceeds cash or financial instruments other than the ETF certificates. During the year ended March 31, 2002, the MTFG Group recognized a gain of (Yen)35,442 million on the sales of the marketable equity securities. At March 31, 2002, the MTFG Group held the ETF certificates of (Yen)91,252 million at fair value in the Securities Available for Sale. The ETF certificates are carried at fair value based on the market prices observed in TSE and the fair value change is closely linked with the movement of TOPIX (1,060.19 points at March 29, 2002). Banks' Shareholdings Purchase Corporation Under a law forbidding banks from holding stocks in excess of their primary (Tier 1) capital after September 30, 2004, which was enacted in November 2001, the Banks' Shareholdings Purchase Corporation ("BSPC") was established in late January 2002 in order to soften the impact on the stock market of sales of cross-shareholdings. BSPC began accepting share offers from financial institutions on February 15, 2002. It has been funded by financial institutions, including BTM and Mitsubishi Trust, which made initial contributions of (Yen)2,000 million ("preferred contributions"). BSPC started to purchase marketable equity securities beginning in February 2002 for a period through September 2006, and will be disbanded when BSPC sells all shares that it purchased from financial institutions, or by January 2012 at the latest. BSPC has set up two accounts to facilitate selling of cross-shareholdings; the General Account and the Special Account. In the General Account, each selling financial institution funds the amount of purchase by BSPC without guarantees by the Japanese government, and the financial institution will assume any gains or losses on sales by BSPC of the stocks. In the Special Account, each selling financial institution has to make a contribution of 8% of the selling prices to BSPC to fund any future losses ("subordinated contributions"). The purchase amount in the Special Account is funded by borrowings guaranteed by the Japanese government with a limit of (Yen)2.0 trillion. The cumulative net loss on sales of stocks in the Special Account, which will not be determined and finalized before the liquidation of BSPC, will be compensated by the subordinated contributions at first, and then by the preferred contributions. If there is a remaining loss, the government, as a guarantor, will be liable for the loss. On the other hand, if there is a cumulative net asset at the time of the liquidation, the asset is used to repay the initial contributions at first and to repay the subordinated contributions next, and any remaining asset will be paid out as dividends on the contributions. The remaining gain, if any, will belong to the Japanese government. At the establishment, BTM and Mitsubishi Trust paid (Yen)2,000 million in total to BSPC as initial contributions (preferred contributions). In March 2002, BTM and Mitsubishi Trust sold marketable equity securities with a fair value of (Yen)20,647 million to the Special Account, and contributed (Yen)1,652 million, an amount equivalent to 8% of the sale price (subordinated contributions). Also, BTM and Mitsubishi Trust made loans of (Yen)35,600 million to fund BSPC's purchases of marketable equity securities, which are guaranteed by the government. The MTFG Group accounts for the sales of marketable equity securities to the General Account, if any, as secured borrowings, and sales to the Special Account as sales with subordinated contributions as proceeds of the sales. For the year ended March 31, 2002, the MTFG Group recognized a gain of (Yen)5,913 million on the sale of marketable equity securities to the Special Account. Preferred and subordinated contributions are recorded at cost less any impairment in Other Assets. F-22 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 5. LOANS Loans at March 31, 2001 and 2002 by domicile and type of industry of borrower are summarized below: 2001 2002 -------------- -------------- (in millions) Domestic: Manufacturing.......................... (Yen) 6,451,672 (Yen) 6,394,459 Construction........................... 1,726,278 1,535,191 Real estate............................ 5,272,787 4,923,688 Services............................... 4,763,938 4,549,692 Wholesale and retail................... 6,592,660 5,983,958 Banks and other financial institutions.. 4,069,828 4,271,182 Other industries....................... 2,797,419 3,850,153 Consumer............................... 6,934,440 7,049,095 -------------- -------------- Total domestic...................... 38,609,022 38,557,418 -------------- -------------- Foreign: Governments and official institutions... 315,321 326,086 Banks and other financial institutions.. 783,501 680,449 Commercial and industrial.............. 8,820,141 9,708,102 Other.................................. 1,173,223 1,000,044 -------------- -------------- Total foreign....................... 11,092,186 11,714,681 -------------- -------------- Less unearned income and deferred loan fees 30,305 42,374 -------------- -------------- Total.............................. (Yen)49,670,903 (Yen)50,229,725 ============== ============== Substantially all domestic loans are made under agreements which, as customary in Japan, provide that a bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for loans or otherwise, as collateral for all indebtedness to the bank. At March 31, 2001 and 2002, such collateralized loans originated by the MTFG Group, which were principally collateralized by real estate, marketable securities and accounts receivable, amounted to (Yen)9,340,354 million and (Yen)9,003,420 million, respectively, which represented 24% and 23%, respectively, of the total domestic outstanding loans at March 31, 2001 and 2002. Nonaccrual and restructured loans were (Yen)4,245,397 million and (Yen)4,141,942 million at March 31, 2001 and 2002, respectively. Had interest on these loans been accrued at the original terms of agreement, gross interest income on such loans for the years ended March 31, 2001 and 2002 would have been approximately (Yen)105.6 billion and (Yen)101.1 billion, respectively, of which approximately (Yen)78.2 billion and (Yen)75.4 billion, respectively, was included in interest income on loans in the accompanying consolidated statements of operations. Accruing loans contractually past due 90 days or more were (Yen)27,397 million and (Yen)23,040 million at March 31, 2001 and 2002, respectively. F-23 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Impaired Loans Generally, the MTFG Group's impaired loans include nonaccrual loans, restructured loans and other loans specifically recognized for impairment. A summary of the recorded balances of impaired loans and related impairment allowance at March 31, 2001 and 2002 is shown below: 2001 2002 ---------------------------- ---------------------------- Recorded Recorded Loan Impairment Loan Impairment Balance Allowance Balance Allowance ------------- ------------- ------------- ------------- (in millions) Requiring an impairment allowance.... (Yen)3,650,932 (Yen)1,243,855

(Yen)3,556,557 (Yen)1,296,281 Not requiring an impairment allowance 551,411 -- 489,131 -- -------------- -------------- -------------- -------------- Total................................ (Yen)4,202,343 (Yen)1,243,855 (Yen)4,045,688 (Yen)1,296,281 ============== ============== ============== ============== The average recorded investments in impaired loans were approximately (Yen)3,108 billion, (Yen)3,217 billion and (Yen)4,209 billion, respectively, for the years ended March 31, 2000, 2001 and 2002. For the years ended March 31, 2000, 2001 and 2002, the MTFG Group recognized interest income of approximately (Yen)21.8 billion, (Yen)57.1 billion and (Yen)77.0 billion, respectively, on impaired loans. Interest income on nonaccrual loans was recognized on a cash basis unless ultimate collectibility of principal is certain, in which cash receipts are applied as principal reductions. Interest income on accruing impaired loans, including restructured loans and other loans specifically recognized for impairment, was recognized on an accrual basis to the extent that the collectibility of interest income was reasonably certain based on management's assessment. Lease Receivable As part of its financing activities, the MTFG Group enters into leasing arrangements with customers. The MTFG Group's leasing operations are performed through leasing subsidiaries and consist principally of direct financing leases involving various types of data processing equipment, office equipment and transportation equipment. As of March 31, 2001 and 2002, the components of the investment in direct financing leases were as follows: 2001 2002 ------------ ------------ (in millions) Minimum lease payment receivable............ (Yen)409,714 (Yen)510,180 Estimated residual values of leased property 31,999 49,225 Less--unearned income....................... (27,110) (47,251) ------------ ------------ Net investment in direct financing leases... (Yen)414,603 (Yen)512,154 ============ ============ F-24 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Future minimum lease payment receivables under noncancelable leasing agreements as of March 31, 2002 are as follows: Direct Financing Leases ------------- (in millions) Year ending March 31: 2003................................ (Yen)135,617 2004................................ 112,570 2005............................... 96,343 2006............................... 63,807 2007............................... 34,717 2008 and thereafter................ 67,126 ------------ Total minimum lease payment receivables (Yen)510,180 ============ Government-led Loan Restructuring Program Under the legislation enacted by the Japanese Diet in June 1996, which incorporates the restructuring program for the loans of seven failed housing-loan companies (the "Jusen"), the Deposit Insurance Corporation ("DIC") established a Housing Loan Corporation ("HLAC") to collect and dispose of the loans of the liquidated Jusen. In 1999, HLAC merged with the Resolution and Collection Bank Limited to create the Resolution and Collection Corporation ("RCC"). RCC is wholly owned by DIC. Financial institutions, including the MTFG Group, waived the repayment of substantial amounts of the loans to Jusen and transferred the remaining balances to HLAC. Financial institutions were requested to make loans to HLAC to finance its collection activities, and in the year ended March 31, 1997 the MTFG Group made loans of (Yen)407,078 million, which were included in the loan portfolio as of March 31, 2001, and 2002. The 15-year term loans to HLAC, which are guaranteed by DIC under the legislation and the loan agreements, mature in 2011 and earn interest at TIBOR (Tokyo Interbank Offered Rate) plus 0.125%. The terms and conditions on the loans of other financial institutions to HLAC are the same except for agricultural financial institutions. Under this restructuring program, a Financial Stabilization Fund (the "Special Fund") was established within DIC, and The Bank of Japan and other financial institutions established another fund (the "New Fund"). These funds are principally invested in Japanese government bonds. The MTFG Group made non-interest-earning deposits of (Yen)176,089 million with the Special Fund and the New Fund in the year ended March 31, 1997. The deposit balances as of March 31, 2001 and 2002, which are included in Other Assets, were (Yen)128,749 million and (Yen)132,655 million, respectively, reflecting a present value discount and subsequent amortization of the discount during the period until the expected maturity date. The non-interest-earning deposits with these funds are expected to mature in 15 years from the deposit dates, which coincides with the planned operational lifespan of HLAC. It is uncertain what losses (so-called Stage Two Loss), if any, may ultimately be incurred by RCC through the collection of the Jusen loans during the 15-year term. If any such losses ultimately occur, the Japanese government will be liable for half of such losses, and the investment income to be earned by the Special Fund during the 15 years is to be used to cover the remaining half of the losses. The investment income to be earned by the New Fund during the 15 years is used to compensate for a portion of the public funds used for the Jusen restructuring. F-25 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Although the impact on future financial results is subject to reasonable estimation, at this time management believes all loans and deposits will be collectible according to their respective terms. Loan Securitization The MTFG Group had no significant transfers of loans in securitization transactions accounted for as sales for the years ended March 31, 2001 and 2002, and did not retain any significant interests associated with loans transferred in securitizations at March 31, 2002. 6. ALLOWANCE FOR CREDIT LOSSES Changes in the allowance for credit losses for the years ended March 31, 2000, 2001 and 2002 are shown below: 2000 2001 2002 -------------- -------------- -------------- (in millions) Balance at beginning of year.............................. (Yen)1,813,680 (Yen)1,486,212 (Yen)1,716,984 -------------- -------------- -------------- Provision for credit losses............................... 372,449 797,081 601,689 -------------- -------------- -------------- Charge-offs... 724,032 644,439 669,381 Less--Recoveries.. 44,296 46,077 65,977 -------------- -------------- -------------- Net charge-offs... 679,736 598,362 603,404 -------------- -------------- -------------- Other, principally foreign exchange translation adjustments (20,181) 32,053 19,911 -------------- -------------- -------------- Balance at end of year.................................... (Yen)1,486,212 (Yen)1,716,984 (Yen)1,735,180 ============== ============== ============== 7. PREMISES AND EQUIPMENT Premises and equipment at March 31, 2001 and 2002 consisted of the following: 2001 2002 -------------- -------------- (in millions) Land........................ (Yen) 215,090 (Yen) 200,191 Buildings................... 451,810 443,828 Equipment and furniture...... 479,659 530,380 Leasehold improvements....... 288,301 232,509 Construction in progress..... 3,329 3,294 -------------- -------------- Total.................... 1,438,189 1,410,202 Less accumulated depreciation 748,526 728,836 -------------- -------------- Premises and equipment--net.. (Yen) 689,663 (Yen) 681,366 ============== ============== Premises and equipment include capitalized leases, principally related to data processing equipment, which amounted to (Yen)62,839 million of acquisition cost at March 31, 2001 and (Yen)37,763 million at March 31, 2002. Accumulated depreciation on such capitalized leases at March 31, 2001 and 2002 amounted to (Yen)14,916 million and (Yen)17,627 million, respectively. Depreciation expense of premises and equipment for the years ended March 31, 2000, 2001 and 2002 was (Yen)73,389 million, (Yen)61,482 million and (Yen)68,162 million, respectively. F-26 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) In March 1999, BTM sold a 50% undivided interest in each of its head office land and building (including structure and equipment) for (Yen)91,500 million and of its main office land and building (including structure and equipment) for (Yen)9,100 million to a real estate company. At the same time, BTM entered an agreement to lease back the 50% undivided interests of the buildings sold from the buyer over a period of 7 years. BTM accounted for these transactions as financing arrangements, and recorded the total proceeds of (Yen)100,600 million as a financing obligation. Under the lease agreement, BTM made non-interest-bearing deposits of (Yen)8,000 million with the buyer-lessor in March 1999. The lease payments are determined each year upon negotiations with the buyer-lessor, based on future market conditions and expenditures for significant improvements and related expenses of the buildings to be born by the buyer-lessor. The lease agreement is noncancelable during the lease period of 7 years. At the end of lease, BTM has no obligations or options specified in the lease agreement. At March 31, 2001 and 2002, the financing obligation was (Yen)101,210 million and (Yen)101,806 million, respectively, and total rental payments amounted to (Yen)6,372 million and (Yen)6,504 million, respectively, for the years ended March 31, 2001 and 2002. 8. INCOME TAXES The detail of current and deferred income tax expense or benefit for the years ended March 31, 2000, 2001 and 2002 was as follows: 2000 2001 2002 ------------- ------------- ------------- (in millions) Current: Domestic... (Yen) 164,354 (Yen) 53,683 (Yen) (8,612) Foreign... 49,238 49,452 39,454 ------------- ------------- ------------- Total.. 213,592 103,135 30,842 ------------- ------------- ------------- Deferred: Domestic... (132,333) (41,730) (118,358) Foreign... (31,099) 1,358 (14,316) ------------- ------------- ------------- Total.. (163,432) (40,372) (132,674) ------------- ------------- ------------- Income tax expense (benefit).. 50,160 62,763 (101,832) ------------- ------------- ------------- Income tax expense reported in cumulative effect of a change in accounting principle... -- -- 3,523 ------------- ------------- ------------- Income tax expense (benefit) reported in shareholders' equity relating to: Investment securities available for sale.............................. 486,466 (446,711) (229,943) Cumulative effect of a change in accounting principle................. -- -- 808 Derivatives qualifying for cash flow hedges........................... -- -- 1,289 Minimum pension liability adjustments................................. 16,185 (39,735) (30,815) Foreign currency translation adjustments.............................. (11,050) 16,853 5,444 ------------- ------------- ------------- Total.. 491,601 (469,593) (253,217) ------------- ------------- -------------

Total.. (Yen) 541,761 (Yen)(406,830) (Yen)(351,526) ============= ============= ============= Income taxes in Japan applicable to the MTFG Group are imposed by the national, prefectural and municipal governments, and in the aggregate resulted in a normal effective statutory rate of approximately 41.9%, 38.9% and 38.0%, respectively, for the years ended March 31, 2000, 2001 and 2002. Foreign subsidiaries are subject to income taxes of the countries in which they operate. F-27 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) On March 30, 2000, the Tokyo Metropolitan Assembly passed a new tax rule that changed the basis on which it taxes large banks doing business in Tokyo. BTM, Mitsubishi Trust and NTB are subject to the new regulation. The new rule requires large banks to pay a 3% local tax on their gross operating income derived from their Tokyo operations for a period of five years commencing April 1, 2000. Prior to April 1, 2000, the banking institutions paid a local tax based on their net income. The new 3% tax has been accounted for as non-interest expenses from the year ended March 31, 2001. With respect to effective income tax rate, the new taxation decreased the normal statutory rate by 3.0% to 38.9%. On May 30, 2000, Osaka Prefectural Assembly also passed a new tax rule that is substantially the same as the rule approved by the Tokyo Metropolitan Assembly. The new rule requires large banks to pay a 3% local tax on their gross operating income derived from Osaka operations for a period of five years commencing April 1, 2001. With respect to effective income tax rate, the new taxation decreased the normal effective statutory rate by 0.9% to 38.0%. As a result of the changing tax rates mentioned above, income tax expenses increased (Yen)9,381 million and (Yen)12,727 million for the years ended March 31, 2000 and 2001, respectively. The banks subject to the new tax rule, including BTM, Mitsubishi Trust and NTB, filed a complaint in October 2000 with the Tokyo District Court, calling for nullification of the new tax, which they claimed, unfairly targets banks. On March 26, 2002, the Tokyo District Court rejected the new tax enacted by the Tokyo Metropolitan Assembly. The court ordered the Tokyo Metropolitan Government to refund (Yen)72.4 billion in tax payments to 18 major banks and to pay an additional (Yen)1.8 billion in compensation. On March 29, 2002, the Metropolitan Government lodged an appeal at the Tokyo High Court. Following the decision of the Tokyo District Court, 16 major banks filed a lawsuit on April 4, 2002 with the Osaka District Court against the Osaka Prefectual Government, seeking to nullify the new tax rule. In response to the lawsuit, on May 30, 2002, the Osaka Prefectual Government enacted a revised tax rule that changed the taxation for the year ended March 31, 2002 and the fiscal years subject to the new tax rule. Under the revised tax rule, for the year ended March 31, 2002, large banks are supposed to pay the lower of the 3% local tax on their gross operating income or the local tax computed based on net income. As a result of the revisions, BTM and Mitsubishi Trust did not pay any local taxes to the Osaka Prefectual Government for the year ended March 31, 2002. BTM, Mitsubishi Trust and NTB incurred tax expense related to the new local taxes of (Yen)18.4 billion and (Yen)18.6 billion of the Tokyo Metropolitan Government for the years ended March 31, 2001 and 2002, respectively. Had BTM, Mitsubishi Trust and NTB paid the local taxes based on net income under the former rule, tax expense would have been (Yen)6.6 billion for the year ended March 31, 2001, and zero for the fiscal year ended March 31, 2002, respectively. To date, there have not been any decisions made by the Tokyo High Court and the Osaka District Court. As the outcome of these cases is uncertain, no gain has been recorded in MTFG Group's consolidated financial statements. F-28 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the combined normal effective statutory tax rate for the years ended March 31, 2000, 2001 and 2002 was as follows: 2000 2001 2002 ------- ------- ----- Combined normal effective statutory tax rate........................... 41.9 % 38.9 % (38.0)% Increase (decrease) in taxes resulting from: Nondeductible expenses... 753.5 237.3 2.9 Goodwill amortization... 26.2 31.0 0.7 Nontaxable dividends received...................................... 234.8 225.8 1.3 Foreign tax credit... (271.4) (90.4) (1.9) Lower tax rates applicable to income of foreign subsidiaries........ (255.5) (93.8) (2.7) Foreign income exempted for income tax purpose..................... 23.5 (88.9) (0.5) Foreign tax assessment (refund).................................... (645.8) 30.1 (0.7) Minority interest... 278.5 184.3 2.5 Change in valuation allowance...................................... 489.8 284.7 16.8 Expiration of loss carryforwards of subsidiaries.................... 884.8 733.1 0.1 Enacted change in tax rates... 357.3 245.4 -- Realization of previously unrecognized tax benefits of subsidiaries. -- -- (11.2) Other--net... (1.6) 11.3 (0.7) ------- ------- ----- Effective income tax rate.. 1,916.0% 1,748.8% (31.4)% ======= ======= ===== Deferred tax assets and liabilities are computed for each tax jurisdiction using current enacted tax rates applicable to periods when the temporary differences are expected to reverse. The tax effects of the items comprising the MTFG Group's net deferred tax assets at March 31, 2001 and 2002 were as follows: 2001 2002 -------------- -------------- (in millions) Deferred tax assets: Allowance for credit losses................................. (Yen) 844,129 (Yen) 930,745 Net operating loss carryforwards............................ 147,339 250,188 Accrued severance indemnities and pension liabilities........ 85,487 125,702 Other real estate owned.................................... 27,806 22,317 Accrued liabilities and other............................... 46,482 53,963 Sale-and-leaseback transactions............................ 36,165 36,338 Foreign currency translation losses on foreign currency debt. 17,589 24,693 Depreciation.. 28,950 20,780 Valuation allowance... (213,128) (256,579) -------------- -------------- Total deferred tax assets............................... 1,020,819 1,208,147 -------------- -------------- Deferred tax liabilities: Investment securities...................................... 212,898 180 Deferred profit on property for income tax purposes.......... 15,172 14,865 Equipment and auto leasing.................................. 66,557 102,505 Derivative financial instruments............................ 37,360 23,578 Other.. 2,698 7,666 -------------- -------------- Total deferred tax liabilities.......................... 334,685 148,794 -------------- -------------- Net deferred tax assets.. (Yen) 686,134 (Yen)1,059,353 ============== ============== F-29 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) At March 31, 2002 certain subsidiaries had operating loss carryforwards of (Yen)646,443 million, which included (Yen)170,521 million of BTM and (Yen)238,635 million of Mitsubishi Trust, and tax credit carryforwards of (Yen)1,282 million for tax purposes. Such carryforwards, if not utilized, are scheduled to expire as follows: Operating Loss Tax Credit Carryforwards Carryforwards ------------- ------------- (in millions) Year ending March 31: 2003................... (Yen) 24,424 (Yen) -- 2004................... 51,190 -- 2005................... 79,178 -- 2006................... 143,352 -- 2007 and thereafter..... 320,683 -- No definite expiration date 27,616 1,282 ------------ ---------- Total.............. (Yen)646,443 (Yen)1,282 ============ ========== Income taxes are not provided on undistributed earnings of foreign subsidiaries, which are considered to be indefinitely reinvested in the operations of such subsidiaries. At March 31, 2002, such undistributed earnings of foreign subsidiaries amounted to approximately (Yen)247 billion. Determination of the amount of unrecognized deferred tax liabilities with respect to these undistributed earnings is not practicable because of the complexity associated with its hypothetical calculation including foreign withholding taxes and foreign tax credits. MTFG has neither plans nor the intention of disposing of investments in foreign subsidiaries and, accordingly, does not expect to record capital gains or losses, or otherwise monetize its foreign subsidiaries' undistributed earnings. Rather, MTFG will receive a return on investments in foreign subsidiaries by way of dividends. Income (loss) before income tax expense or benefit for the years ended March 31, 2000, 2001 and 2002 was as follows: 2000 2001 2002 ----------- ------------ ------------ (in millions) Domestic income (loss) (Yen) 5,241 (Yen)(153,242) (Yen)(386,432) Foreign income (loss). (2,623) 156,831 62,199 ----------- ------------ ------------ Total............. (Yen) 2,618 (Yen) 3,589 (Yen)(324,233) =========== ============ ============ 9. PLEDGED ASSETS AND COLLATERAL Pledged Assets At March 31, 2002 assets mortgaged, pledged, or otherwise subject to lien were as follows: (in millions) Due from banks............ (Yen) 1,145 Trading account securities 1,398,056 Investment securities 3,398,756 Loans................ 985,368 Other................ 26,181 ------------- Total............ (Yen)5,809,506 ============= F-30 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The above pledged assets are classified by type of liabilities to which they relate as follows: (in millions) Deposits.. (Yen) 177,266 Call money and funds purchased... 847,486 Payables under repurchase agreements and securities lending transactions 3,064,291 Other short-term borrowings and long-term debt......................... 1,713,010 Other... 7,453 ------------- Total... (Yen)5,809,506 ============= In addition, at March 31, 2002, certain investment securities, principally Japanese national government and Japanese government agency bonds, aggregating (Yen)4,675,786 million were pledged as collateral for acting as a collection agent of public funds, for settlement of exchange at The Bank of Japan and Tokyo Bankers Association, for derivative transactions and for certain other purposes. Under Japanese law, Japanese banks are required to maintain certain minimum reserves on deposit with The Bank of Japan based on the amount of deposit balances and certain other factors. There are similar reserve deposit requirements for foreign offices engaged in banking businesses in foreign countries. At March 31, 2001 and 2002, the reserve funds maintained by the MTFG

Group, which are included in Cash and Due from Banks and Interest-earning Deposits in Other Banks, were (Yen)605,702 million and (Yen)650,642 million, respectively. Average reserves during the years ended March 31, 2001 and 2002 were (Yen)567,424 million and (Yen)659,602 million, respectively. Collateral The MTFG Group accepts and provides financial assets as collateral for transactions, principally commercial loans, repurchase agreements and securities lending transactions, call money, and derivatives. Financial assets eligible for such collateral include, among others, marketable equity securities, trade and note receivables and certificates of deposit. Secured parties, including creditors and counterparties to certain transactions with the MTFG Group, may sell or repledge financial assets provided as collateral. Certain contracts, however, may not be specific about the secured party's right to sell or repledge collateral under the applicable statutes and, therefore, whether or not the secured party is permitted to sell or repledge a collateral would differ depending on the interpretations of specific provisions of the existing statutes, contract or certain market practices. If the MTFG Group determines, based on available information that a financial asset provided as collateral might not be sold or repledged by the secured parties, such collateral is not separately reported in the consolidated balance sheets. If a secured party is permitted to sell or repledge financial assets provided as collateral by contract or custom under the existing statutes, the MTFG Group reports such pledged financial assets separately on the face of the consolidated balance sheets. At March 31, 2002, the MTFG Group had pledged (Yen)2,060 billion of collateral that may not be sold or repledged by the secured parties. Certain banking subsidiaries accept collateral for commercial loans and certain banking transactions under a standardized agreement with customers, which provides that these banking subsidiaries may require the customer to provide collateral or guarantors with respect to the loans and other banking transactions. Financial assets pledged as collateral are generally negotiable and transferable instruments, and such negotiability and transferability is authorized by applicable legislation. In principle, Japanese legislation permits these banking subsidiaries to repledge financial assets accepted as collateral unless otherwise prohibited by contract or relevant F-31 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) statutes. Nevertheless, the MTFG Group did not sell or repledge nor does plan to sell or repledge such collateral accepted in connection with commercial loans before a debtor's default or other credit events specified in the agreements as it is not customary within the banking industry in Japan to dispose of collateral before a debtor's default and other specified credit events. Derivative agreements commonly used in the marketplace do not prohibit a secured party's disposition of financial assets received as collateral, and in resale agreements and securities borrowing transactions, securities accepted as collateral may be sold or repledged by the secured parties. At March 31, 2002, the fair value of the collateral accepted by the MTFG Group that is permitted to be sold or repledged was approximately (Yen)5,011 billion, of which approximately (Yen)2,614 billion was sold or repledged. The amount includes the collateral that may be repledged under the current Japanese legislation but the MTFG Group does not dispose of before counterparties' default in accordance with the customary practice within the Japanese banking industry. 10. DEPOSITS The balances of time deposits, including certificates of deposit ("CDs"), issued in amounts of (Yen)10 million (approximately US$75 thousand at the Federal Reserve Bank of New York's noon buying rate on March 29, 2002) or more with respect to domestic deposits and issued in amounts of US$100,000 or more with respect to foreign deposits were (Yen)19,646,210 million and (Yen)9,779,763 million, respectively, at March 31, 2001, and (Yen)16,885,029 million and (Yen)6,783,568 million, respectively, at March 31, 2002. The maturity information at March 31, 2002 for domestic and foreign time deposits, including CDs, with a remaining term of more than one year is summarized as follows: Domestic Foreign ------------- ------------ (in millions) Due after one year through two years.... (Yen)3,736,169 (Yen)181,705 Due after two years through three years. 2,282,090 30,142 Due after three years through four years 1,252,995 17,342 Due after four years through five years. 862,737 13,781 Due after five years.................... 33,805 8,306 ------------- ------------ Total............................... (Yen)8,167,796 (Yen)251,276 ============= ============ 11. DEBENTURES In Japan, certain banks, including BTM, issue discount and coupon debentures in the domestic market under applicable banking laws. The Bank of Tokyo, Ltd., which merged with The Mitsubishi Bank, Limited to create BTM, was authorized to issue such debentures and, after the merger in 1996, BTM is permitted to issue discount and coupon debentures in the domestic market through March 2002 under the Law concerning the Merger and Conversion of Financial Institutions of Japan. F-32 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Debentures at March 31, 2001 and 2002 comprised the following: 2001 2002 ------------- ------------- (in millions) One-year discount debentures, net of amortized discount of (Yen)1,460 million in 2001 and (Yen)98 million in 2002--discount at issuance of 0.01% to 0.04% (0.04% to 0.24% in 2001).. (Yen)1,369,907 (Yen) 824,722 Three-year coupon debentures with interest of 0.02% to 0.80% (0.06% to 1.20% in 2001).. 936,531 655,101 Five-year coupon debentures with interest of 0.80% to 2.10% (0.80% to 2.70% in 2001).. 1,097,973 789,299 ------------- ------------- Total... (Yen)3,404,411 (Yen)2,269,122 ============= ============= The following is a summary of maturities of debentures subsequent to March 31, 2002: (in millions) ------------- Year ending March 31: 2003............. (Yen)1,600,687 2004............. 382,782 2005............. 285,653 ------------- Total......... (Yen)2,269,122 ============= 12. CALL LOANS AND FUNDS SOLD, AND CALL MONEY AND FUNDS PURCHASED A summary of funds transactions for the years ended March 31, 2000, 2001 and 2002 is as follows: 2000 2001 2002 -------------------- -------------------- -------------------- (in millions) Average balance during the year: Call money and funds purchased............. (Yen) 1,652,202 (Yen) 1,799,133 (Yen) 1,968,252 Call loans and funds sold.................. 1,231,727 1,212,028 1,230,103 -------------------- -------------------- -------------------- Net funds purchased position.................. (Yen) 420,475 (Yen) 587,105 (Yen) 738,149 ==================== ==================== ==================== Call money and funds purchased: Outstanding at end of year: Amount................................ (Yen) 1,184,573 (Yen) 2,358,036 (Yen) 2,542,489 Principal range of maturities........... 1 day to 30 days 1 day to 30 days 1 day to 30 days Weighted average interest rate.......... 0.84% 0.90% 0.61% Maximum balance at any month-end during the year....................... (Yen) 2,233,024 (Yen) 2,406,836 (Yen) 2,542,489 Weighted average interest rate paid during the year....................... 0.97% 1.25% 0.91% Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages. F-33 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 13. DUE TO TRUST ACCOUNT Trust banking subsidiaries hold assets in an agent, fiduciary or trust capacity. Such trust account assets are not the MTFG Group's proprietary assets and are managed and accounted for separately. However, excess cash funds of individual trust accounts are often placed with the trust banking subsidiaries that manage the funds together with their own funds in their proprietary account. Due to trust account reflects a temporary placement of the excess funds from individual trust accounts managed by the trust banking subsidiaries in their fiduciary and trust capacity. In view of the MTFG Group's funding, due to trust account bears a nature similar to short-term funding, including demand deposits and other overnight funds purchased, in a manner that the balance changes in response to the day-to-day changes in the excess funds placed by the trust accounts. A summary of due to trust account transactions for the years ended March 31, 2000, 2001 and 2002 is as follows: 2000 2001 2002 ------------- ------------- ------------- (in millions) Average balance outstanding during the year..... (Yen)4,181,966 (Yen)4,023,941 (Yen)2,940,975 Maximum balance at any month-end during the year 4,397,143 4,488,591 3,533,489 Weighted average interest rate during the year.. 0.78% 0.69% 0.57% 14. SHORT-TERM BORROWINGS AND LONG-TERM DEBT At March 31, 2001 and 2002, the MTFG Group had unused lines of credit amounting to (Yen)3,095,092 million and (Yen)3,492,516 million, respectively. The amounts principally consist of the lines of collateralized intraday overdrafts without interest charges and collateralized overnight loans on bills at the official discount rate granted by the BOJ, which are used to cover shortages in the BOJ account and to meet liquidity needs. The MTFG Group may borrow from the BOJ on demand up to the total amount of collateral eligible for credit extension. Other short-term borrowings at March 31, 2001 and 2002 comprised the following: 2001 2002 ------------- ------------- (in millions) Domestic offices: Loans on notes and acceptances transferred with recourse (rediscount). (Yen) 836,767 (Yen)1,462,940 Commercial paper.. 150,000 596,000 Borrowings from financial institution................................ 578,563 587,372 Other.. 121,091 324,692 ------------- ------------- Total domestic offices... 1,686,421 2,971,004 ------------- ------------- Foreign offices: Commercial paper.. 298,757 198,367 Other.. 145,847 149,766 ------------- ------------- Total foreign offices.. 444,604 348,133 ------------- ------------- Total... 2,131,025 3,319,137 Less unamortized discount... 1,034 503 ------------- ------------- Other short-term borrowings--net.. (Yen)2,129,991 (Yen)3,318,634 ============= ============= Weighted average interest rate on outstanding balance at end of year..... 1.48% 1.09% F-34 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS--(Continued) A summary of other short-term borrowing transactions for the years ended March 31, 2000, 2001 and 2002 is as follows: 2000 2001 2002 -------------- -------------- -------------- (in millions) Average balance outstanding during the year..... (Yen)1,839,452 (Yen)1,641,905 (Yen)2,077,604 Maximum balance at any month-end during the year 2,431,224 3,032,747 3,318,634 Weighted average interest rate during the year.. 2.79% 1.65% 2.22% Long-term debt (with original maturities of more than one year) at March 31, 2001 and 2002 comprised the following: 2001 2002 -------------- -------------- (in millions) BTM: Obligations under capital leases........ (Yen) 24,273 (Yen) 26,122 Obligations under sale-and-leaseback transactions......................... 101,210 101,806 Unsubordinated debt: Insurance companies and other institutions, maturing serially through 2022, principally 0.06%-6.37%........................ 295,033 271,402 Fixed rate bonds, payable in Japanese yen, due 2002-2020, principally 0.26%-2.69%............ 879,400 1,340,000 Adjustable rate bonds, payable in Japanese yen, due 2005, 0.20%...... 16,360 36,890 Subordinated debt: Fixed rate notes, payable in United States dollars, due 2010-2011, 8.40%................... 245,979 266,311 Fixed rate bonds, payable in Japanese yen, due 2010-2011, principally 1.93%-2.25%............ 69,700 120,000 Fixed rate borrowings, payable in Japanese yen, due 2002-2012, principally 1.27%- 6.20%........... 395,373 428,555 Adjustable rate bonds, payable in Japanese yen, due 2011, 1.00%...... -- 32,000 Adjustable rate borrowings, payable in Japanese yen, due 2007-2012, principally 0.10%-6.30%........................ 258,600 157,600 Floating rate borrowings, payable in Japanese yen, due 2002-2010, principally 0.08%- 2.30%........... 75,500 26,000 -------------- -------------- Total............................ 2,361,428 2,806,686 -------------- -------------- Mitsubishi Trust: Obligations under capital leases........ 1,096 1,302 Unsubordinated debt: Insurance companies and other institutions, due 2002-2007, principally 0.00%-4.75%............ 48,951 48,205 Subordinated debt: Fixed rate borrowings, payable in Japanese yen, due 2004-2012, principally 2.00-4.92%............. 35,000 50,000 Adjustable rate borrowings, payable in Japanese yen, due 2006-2012, principally 0.65%-3.25%........................ 33,000 44,000 Floating rate borrowings, payable in Japanese yen, due 2002-2003, principally 2.30%- 3.70%........... 65,000 65,000 Perpetual bonds, payable in Japanese yen, principally 1.15%-2.25%........................ 29,700 42,200 Fixed rate bonds, payable in Japanese yen, due 2010, 2.70%...... 27,300 30,000 Adjustable rate bonds, payable in Japanese yen, due 2010-016, principally 0.80%- 2.45%........... 42,500 91,300 -------------- -------------- Total............................ 282,547 372,007 -------------- -------------- F-35 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 2001 2002 -------------- -------------- (in millions) Other subsidiaries: Unsubordinated debt: Insurance companies and other institutions, due 2002-2008, principally 0.38%-7.71%............ (Yen) 108,095 (Yen) 119,733 3% Exchangeable Guaranteed Notes due 2002, payable in United States dollars (see Note 15)....... 247,723 266,417 Fixed rate bonds and notes, payable in United States dollars, due 2004-2013, principally 5.45%-7.00%............ 22,028 40,259 Fixed rate bonds and notes, payable in Japanese yen, due 2002-2017, principally 0.01%- 7.20%............................. 237,698 178,982 Adjustable rate bonds and notes, payable in United States dollars, due 2003, principally 3.03%-7.26%........................ 37,498 16,942 Adjustable rate bonds and notes, payable in Japanese yen, due 2007-2013, principally 0.00%-6.06%........................ 73,197 57,690 Floating rate bonds and notes, payable in United States dollars, due 2003-2021, principally 0.73%-6.75%............ 64,930 9,264 Floating rate bonds and notes, payable in Japanese yen, due 2002-2010, principally 0.00%-5.61%........................ 72,911 59,148 Floating rate notes, payable in Euro, due 2001, 5.25%............. 29,129 -- Obligations under capital leases and other miscellaneous debt....... 15,890 14,782 -------------- -------------- Total unsubordinated debt......... 909,099 763,217 -------------- -------------- Subordinated debt: Insurance companies and other institutions, due 2010, principally 3.21%-3.39%............ 21,568 1,553 Undated notes, payable primarily in Japanese yen, principally 0.39%-4.90%........................ 60,000 60,000 Perpetual bonds, payable in Japanese yen, principally 1.51%-3.15%....................... 20,300 20,300 Fixed rate bonds and notes, payable in United States dollars, due 2007, principally 6.20%-7.75%........................ 36,532 26,995 Fixed rate bonds and notes, payable in Japanese yen, due 2003-2028, principally 0.40%- 5.10%............................. 128,403 101,795 Adjustable rate undated notes, payable in United States dollars, principally 2.40%- 3.55%............................. 66,555 76,531 Adjustable rate undated notes, payable in Japanese yen, principally 0.58%-3.16%............ 359,764 359,490 Adjustable rate bonds and notes, payable in United States dollars, due 2007-2009, principally 2.19%-7.50%............ 103,104 114,129 Adjustable rate bonds and notes, payable in Japanese yen, due 2002-2014, principally 0.14%-6.63%........................ 472,886 368,858 Floating rate bonds and notes, payable in United States dollars, due 2003, 5.12%........... 19,971 2,645 Floating rate bonds and notes, payable in Japanese yen, due 2002-2027, principally 0.00%-5.19%........................ 78,850 58,915 Other miscellaneous debt............ 2,285 2,700 -------------- -------------- Total subordinated debt........... 1,370,218 1,193,911

Mandatorily redeemable preferred securities of subsidiary grantor trust (see Note 23).................. 40,163 48,020 -------------- -------------- Total............................ 2,319,480 2,005,148 -------------- -------------- Total..................................... (Yen)4,963,455 (Yen)5,183,841 ============== ============== -------- Note: Adjustable rate debts are debts where interest rates are reset in accordance with the terms of the debt agreements, and floating rate debts are debts where interest rates are repriced in accordance with movements of market indices. F-36 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Certain unsubordinated bonds and notes (aggregating (Yen)1,148,788 million at March 31, 2002) issued by subsidiaries, including the above exchangeable notes, are guaranteed, on a subordinated basis, by MTFG, BTM, Mitsubishi Trust or a subsidiary as to payment of principal and interest. BTM, Mitsubishi Trust and certain of other subsidiaries entered into interest rate and currency swaps for certain debt in order to manage exposure to interest rate and currency exchange rate movements. As a result of these swap arrangements, the effective interest rates may differ from the coupon rates reflected in the above table. The interest rates for the adjustable and floating rate debt shown in the above table are those in effect at March 31, 2001 and 2002. Certain rates are determined by formulas and may be subject to certain minimum and maximum rates. Floating and adjustable debt agreements may provide for interest rate floors to prevent negative interest payments (i.e., receipts). Certain debt agreements permit BTM, Mitsubishi Trust and some of other subsidiaries to redeem the related debt, as a whole or in part, prior to maturity at the option of the issuer on terms specified in the respective agreements. The following is a summary of maturities of long-term debt subsequent to March 31, 2002: Mitsubishi Other BTM Trust Subsidiaries Total -------------- ------------ -------------- -------------- (in millions) Year ending March 31: 2003................ (Yen) 168,885 (Yen) 11,985 (Yen) 367,656 (Yen) 548,526 2004................ 268,618 56,452 161,826 486,896 2005................ 510,496 22,248 90,921 623,665 2006................ 389,339 30,716 52,719 472,774 2007................ 369,773 23,106 113,137 506,016 2008 and thereafter. 1,099,575 227,500 1,218,889 2,545,964 -------------- ------------ -------------- -------------- Total........... (Yen)2,806,686 (Yen)372,007 (Yen)2,005,148 (Yen)5,183,841 ============== ============ ============== ============== 15. SUBSIDIARY FINANCIAL INFORMATION MBL International Finance (Bermuda) Trust (the "Bermuda Trust"), a wholly-owned finance subsidiary of BTM, issued 3% Exchangeable Guaranteed Notes due 2002 (the "Exchangeable Notes"). MTFG and BTM irrevocably and unconditionally guarantee all of the obligations of the Bermuda Trust. The Exchangeable Notes are exchangeable for shares or American Depositary Shares ("ADSs") of MTFG through November 30, 2002 at an exchange price of US$13.62 per ADS or share as of March 31, 2001. The exchange price was reset annually through 2001 to the lesser of the prevailing average ADS price, as defined, or the exchange price prior to such reset, but not less than US$13.62. The Exchangeable Notes were redeemable at the option of the issuer or MTFG in shares or ADSs on November 30 in any year beginning in 1998 through 2001 at an exchange price of US$13.62. F-37 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) In accordance with the rules of the Securities and Exchange Commission of the United States of America regarding the parent company guarantees of subsidiary securities, the following table sets forth the condensed consolidating financial information of MTFG, BTM, the Bermuda Trust and non-guarantor subsidiaries. Condensed Consolidating Balance Sheets Bermuda Non-guarantor Consolidating MTFG BTM Trust Subsidiaries Adjustments ---------- ---------- -------- ------------ ------------ (in billions) At March 31, 2001: Cash, due from banks, interest-earning deposits in other banks, Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions.............. (Yen) -- (Yen) 9,116 (Yen) -- (Yen) 6,320 (Yen)(2,496) Investment securities... -- 15,378 250 6,974 (396) Loans, net of allowance for credit losses....................... -- 34,193 -- 15,698 (1,937) Other assets.. 3,201 6,318 2 4,957 (4,089) ---------- ---------- -------- ---------- ----------- Total assets.. (Yen)3,201 (Yen)65,005 (Yen)252 (Yen)33,949 (Yen)(8,918) ========== ========== ======== ========== =========== Deposits.. (Yen) -- (Yen)45,573 (Yen) -- (Yen)15,745 (Yen)(1,212) Call money and funds purchased, and payables under resale agreements and securities lending transactions................ -- 5,402 -- 4,394 (1,069) Debentures, other short-term borrowings, and due to trust account.. -- 4,352 -- 5,371 (516) Long-term debt.. -- 3,664 248 2,819 (1,768) Other liabilities... -- 3,604 2 3,811 (132) ---------- ---------- -------- ---------- ----------- Total liabilities... -- 62,595 250 32,140 (4,697) Total shareholders' equity................................... 3,201 2,410 2 1,809 (4,221) ---------- ---------- -------- ---------- ---------- Total liabilities and shareholders' equity...................... (Yen)3,201 (Yen)65,005 (Yen)252 (Yen)33,949 (Yen)(8,918) ========== =========== ======== =========== =========== At March 31, 2002: Cash, due from banks, interest-earning deposits in other banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions............... (Yen) 39 (Yen) 8,040 (Yen) -- (Yen) 5,612 (Yen)(2,824) Investment securities... 266 16,064 267 7,689 (602) Loans, net of allowance for credit losses...................... -- 35,080 -- 15,157 (1,742) Other assets.. 2,594 8,898 2 4,486 (4,661) ---------- ---------- -------- ---------- ---------- Total assets.. (Yen)2,899 (Yen)68,082 (Yen)269 (Yen)32,944 (Yen)(9,829) ========== =========== ======== =========== =========== Deposits.. (Yen) -- (Yen)47,756 (Yen) -- (Yen)17,313 (Yen)(1,409) Call money and funds purchased, and payables under resale agreements and securities lending transactions................ -- 6,882 -- 3,736 (1,375) Debentures, other short-term borrowings, and due to trust account.. -- 3,580 -- 4,752 (462) Long-term debt.. 266 3,994 266 2,524 (1,866) Other liabilities... 7 3,963 3 2,860 (1,051) ---------- ---------- -------- ---------- ---------- Total liabilities.. 273 66,175 269 31,185 (6,163) Total shareholders' equity................................... 2,626 1,907 -- 1,759 (3,666) ---------- ---------- -------- ---------- ---------- Total liabilities and shareholders' equity...................... (Yen)2,899 (Yen)68,082 (Yen)269 (Yen)32,944 (Yen)(9,829) ========== =========== ======== =========== =========== Total ----------- At March 31, 2001: Cash, due from banks, interest-earning deposits in other banks, Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions............... (Yen)12,940 Investment securities... 22,206 Loans, net of allowance for credit losses...................... 47,954 Other assets.. 10,389 ----------- Total assets.. (Yen)93,489 =========== Deposits.. (Yen)60,106 Call money and funds purchased, and payables under resale agreements and securities lending transactions................ 8,727 Debentures, other short-term borrowings, and due to trust account.. 9,207 Long-term debt.. 4,963 Other liabilities... 7,285 ----------- Total liabilities.. 90,288 Total shareholders' equity................................... 3,201 ----------- Total liabilities and shareholders' equity...................... (Yen)93,489 =========== At March 31, 2002: Cash, due from banks, interest-earning deposits in other banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions............... (Yen)10,867 Investment securities... 23,684 Loans, net of allowance for credit losses...................... 48,495 Other assets.. 11,319 ----------- Total assets.. (Yen)94,365 =========== Deposits.. (Yen)63,660 Call money and funds purchased, and payables under resale agreements and securities lending transactions................ 9,243 Debentures, other short-term borrowings, and due to trust account.. 7,870 Long-term debt.. 5,184 Other liabilities... 5,782 ----------- Total liabilities.. 91,739 Total shareholders' equity................................... 2,626 ----------- Total liabilities and shareholders' equity...................... (Yen)94,365 =========== F-38 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Condensed Consolidating Statements of Operations Bermuda Non-guarantor Consolidating MTFG BTM Trust Subsidiaries Adjustments --------- --------- ------- ------------ ------------ (in billions) For the year ended March 31, 2000: Interest income.. (Yen) -- (Yen)1,354 (Yen) 7 (Yen) 978 (Yen)(173) Interest expense.. -- 703 7 541 (165) --------- --------- ------- --------- --------- Net interest income...................................... -- 651 -- 437 (8) Provision for credit losses.............................. -- 248 -- 117 8 --------- --------- ------- --------- --------- Net interest income after provision for credit losses...... -- 403 -- 320 (16) Non-interest income...................................... -- 397 -- 210 (87) Non-interest expense...................................... -- 739 -- 664 (179) Equity interest in earnings............................... (48) 20 -- -- 28 --------- --------- ------- --------- --------- Income (loss) before income tax expense or benefit......... (48) 81 -- (134) 104 Income tax expense (benefit).............................. -- 46 -- 37 (32) --------- --------- ------- --------- --------- Net income (loss)... (Yen) (48) (Yen) 35 (Yen)-- (Yen) (171) (Yen) 136 ========= ========= ======= ========= ========= For the year ended March 31, 2001: Interest income.. (Yen) -- (Yen)1,399 (Yen) 7 (Yen)1,052 (Yen)(175) Interest expense.. -- 827 7 647 (170)

--------- ---------- ------- ---------- --------- Net interest income...................................... -- 572 -- 405 (5) Provision for credit losses............................... -- 552 -- 245 -- --------- ---------- ------- ---------- --------- Net interest income after provision for credit losses...... -- 20 -- 160 (5) Non-interest income...................................... -- 432 -- 638 (114) Non-interest expense..................................... -- 577 -- 645 (97) Equity interest in earnings............................... (59) (22) -- -- 79 --------- ---------- ------- ---------- --------- Income (loss) before income tax expense or benefit......... (59) (147) -- 153 57 Income tax expense (benefit).............................. -- (39) -- 103 (1) --------- ---------- ------- ---------- --------- Net income (loss)... (Yen) (59) (Yen) (108) (Yen)-- (Yen) 50 (Yen) 58 ========= ========= ======= ========= ========= For the year ended March 31, 2002: Interest income... (Yen) 75 (Yen)1,167 (Yen) 8 (Yen) 961 (Yen)(194) Interest expense.. 7 540 8 508 (124) --------- ---------- ------- ---------- --------- Net interest income...................................... 68 627 -- 453 (70) Provision for credit losses............................... -- 377 -- 220 5 --------- ---------- ------- ---------- --------- Net interest income after provision for credit losses...... 68 250 -- 233 (75) Non-interest income...................................... 5 314 -- 525 (143) Non-interest expense..................................... 5 826 -- 760 (98) Equity interest in earnings............................... (285) 28 -- (1) 249 --------- ---------- ------- ---------- --------- Income (loss) before income tax expense or benefit......... (217) (234) -- (3) 129 Income tax expense (benefit).............................. -- (95) -- 19 (26) Cumulative effect of a change in accounting principle, net of tax... -- (6) -- 1 (1) --------- ---------- ------- ---------- --------- Net income (loss)... (Yen)(217) (Yen) (133) (Yen)-- (Yen) (23) (Yen) 156 ========= ========= ======= ========= ========= Total ---------- For the year ended March 31, 2000: Interest income... (Yen)2,166 Interest expense.. 1,086 ---------- Net interest income...................................... 1,080 Provision for credit losses............................... 373 ---------- Net interest income after provision for credit losses...... 707 Non-interest income...................................... 520 Non-interest expense..................................... 1,224 Equity interest in earnings............................... -- ---------- Income (loss) before income tax expense or benefit......... 3 Income tax expense (benefit).............................. 51 ---------- Net income (loss)... (Yen) (48) ========= For the year ended March 31, 2001: Interest income... (Yen)2,283 Interest expense.. 1,311 ---------- Net interest income...................................... 972 Provision for credit losses............................... 797 ---------- Net interest income after provision for credit losses...... 175 Non-interest income...................................... 956 Non-interest expense..................................... 1,125 Equity interest in earnings............................... (2) ---------- Income (loss) before income tax expense or benefit......... 4 Income tax expense (benefit).............................. 63 ---------- Net income (loss)... (Yen) (59) ========= For the year ended March 31, 2002: Interest income... (Yen)2,017 Interest expense.. 939 ---------- Net interest income...................................... 1,078 Provision for credit losses............................... 602 ---------- Net interest income after provision for credit losses...... 476 Non-interest income...................................... 701 Non-interest expense..................................... 1,493 Equity interest in earnings............................... (9) ---------- Income (loss) before income tax expense or benefit......... (325) Income tax expense (benefit).............................. (102) Cumulative effect of a change in accounting principle, net of tax... (6) ---------- Net income (loss)... (Yen) (217) ========= F-39 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Condensed Consolidating Statements of Cash Flows Bermuda Non-guarantor Consolidating MTFG BTM Trust Subsidiaries Adjustments Total -------- ----------- --------- ------------ ------------ ----------- (in billions) For the year ended March 31, 2000: Net cash from operating activities.................. (Yen) -- (Yen) 457 (Yen) -- (Yen) 156 (Yen)(322) (Yen) 291 Net cash from investing activities.................. -- (235) -- (454) 467 (222) Net cash from financing activities.................. -- (254) -- 498 (159) 85 Effect of exchange rate changes on cash and cash equivalents....................................... -- (12) -- (81) 46 (47) -------- ----------- --------- ----------- --------- ----------- Net increase (decrease) in cash and cash equivalents. (Yen) -- (Yen) (44) (Yen) -- (Yen) 119 (Yen) 32 (Yen) 107 ======== =========== ========= =========== ========= =========== For the year ended March 31, 2001: Net cash from operating activities.................. (Yen) -- (Yen) (548) (Yen) -- (Yen) (527) (Yen) 151 (Yen) (924) Net cash from investing activities.................. -- (3,378) -- (2,282) (261) (5,921) Net cash from financing activities.................. -- 3,536 -- 2,700 200 6,436 Effect of exchange rate changes on cash and cash equivalents....................................... -- 8 -- 73 (55) 26 -------- ----------- --------- ----------- --------- ----------- Net increase (decrease) in cash and cash equivalents. (Yen) -- (Yen) (382) (Yen) -- (Yen) (36) (Yen) 35 (Yen) (383) ======== =========== ========= =========== ========= =========== For the year ended March 31, 2002: Net cash from operating activities................... (Yen) 67 (Yen) (895) (Yen) -- (Yen) 25 (Yen)(120) (Yen) (923) Net cash from investing activities.................. (66) (1,701) -- 1,153 67 (547) Net cash from financing activities.................. -- 2,542 -- (1,094) 60 1,508 Effect of exchange rate changes on cash and cash equivalents....................................... -- 9 -- 58 (3) 64 -------- ----------- --------- ----------- --------- ----------- Net increase (decrease) in cash and cash equivalents. (Yen) 1 (Yen) (45) (Yen) -- (Yen) 142 (Yen) 4 (Yen) 102 ======== =========== ========= =========== ========= =========== 16. SEVERANCE INDEMNITIES AND PENSION PLANS All employees of MTFG are loaned from BTM and Mitsubishi Trust. The employees are subject to severance indemnities and pension plans of each of these subsidiaries described below, and included in the calculation of pension costs and liabilities of BTM and Mitsubishi Trust. Domestic Subsidiaries BTM, Mitsubishi Trust, and certain other domestic subsidiaries have severance indemnities plans under which their employees in Japan, other than those who are directors, are entitled, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, to lump-sum severance indemnities. Under the severance indemnities plans, benefit payments in the form of lump-sum cash payment without allowing a benefit payee an option to receive annuity payments, upon mandatory retirement at normal retirement age or earlier termination of employment, are provided. When a benefit is paid in a single payment to a benefit payee under the plans, the payment represents final relief of the obligation. BTM, Mitsubishi Trust, and certain other domestic subsidiaries also have funded contributory defined benefit pension plans (private plans) which cover substantially all of their employees in Japan and provide for lifetime annuity payments commencing at age 65 based on eligible compensation at the time of severance, years of service and other factors. These domestic subsidiaries participate in a contributory defined benefit Japanese government welfare pension program for their employees under which they have the administrative and trustee responsibility, through employer/employee owned special judicial foundations, for premiums collected and invested and payment of benefits. This government program is combined with the private pension plans through F-40 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) the special judicial foundations. Pension benefits and plan assets applicable to the government program are included with the contributory pension plans of these domestic subsidiaries in the determination of net periodic costs and funded status. BTM and Mitsubishi Trust also have funded non-contributory defined benefit pension plans, providing benefits to certain retired employees, excluding directors, in Japan, based on eligible compensation at the time of severance, years of service and other factors. BTM's plan covers retired employees whose service period with BTM was 5 years or more, and provides for lifetime or certain limited period annuity payments commencing at age 60. Mitsubishi Trust's plan covers retired employees whose service period with Mitsubishi Trust was 20 years or more, and provides for a 10-year period annuity payment commencing at the month following the retirement or, at the option of each eligible employee, at age 60. Net periodic cost of the severance indemnities and pension plans, net of contributions made by employees, for the years ended March 31, 2000, 2001 and 2002 included the following components: 2000 2001 2002 ------------ ------------ ------------ (in millions) Service cost--benefits earned during the year............................ (Yen) 27,031 (Yen) 22,108 (Yen) 22,741 Interest costs on projected benefit obligation........................... 26,814 25,291 25,166 Expected return on plan assets.. (18,558) (27,271) (24,403) Amortization of unrecognized net obligation at transition................ 4,212 4,272 4,199 Amortization of prior service cost....................................... 4,088 3,521 3,405 Amortization of net actuarial loss....................................... 6,826 2,058 10,998 Loss on settlements... -- 4,295 5,240 ------------ ------------ ------------ Net periodic benefit cost... (Yen) 50,413 (Yen) 34,274 (Yen) 47,346 ============ ============ ============ Weighted-average assumptions used: Discount rates in determining expense................................. 3.30% 3.10% 2.88% Discount rates in determining benefit obligation...................... 3.10 2.88 2.47 Rates of increase in future compensation level for determining expense. 3.45 2.88 3.12 Rates of increase in future compensation level for determining benefit obligation... 2.88 3.12 3.09 Expected rates of return on plan assets............................... 4.01 4.79 4.45 F-41 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The following table sets forth the combined funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2001 and 2002 for the plans of BTM, Mitsubishi Trust and certain other domestic subsidiaries. BTM and some of its domestic subsidiaries have measured plan assets and benefit obligations at December 31 each year for the purpose of financial statements whereas Mitsubishi Trust has used March 31 each year for the measurement date. Accordingly, funded status and amounts recognized in the table below shows the combined amounts of those presented in the consolidated financial statements of these subsidiaries. 2001 2002 -- -- Severance Severance indemnities indemnities plans and non- plans and non-contributory Contributory contributory Contributory pension plans pension plans Total pension plans pension plans Total ------------- ------------ ------------ ------------- ------------ ------------ (in millions) Change in benefit obligation: Benefit obligation at beginning of year.......................... (Yen) 136,817 (Yen) 684,714 (Yen) 821,531 (Yen)140,487 (Yen) 748,468 (Yen) 888,955 Service cost...................... 6,568 15,540 22,108 6,362 16,379 22,741 Interest cost..................... 4,195 21,096 25,291 3,953 21,213 25,166 Plan participants' contributions.. -- 3,001 3,001 -- 2,974 2,974 Amendments....................... -- (4,319) (4,319) -- (3,431) (3,431) Actuarial loss................... 7,956 46,620 54,576 7,677 69,546 77,223 Benefits paid.................... (1,292) (18,184) (19,476) (2,607) (19,207) (21,814) Lump-sum payment................. (13,757) -- (13,757) (12,807) -- (12,807) ------------- ------------ ------------ ------------ ------------ ------------ Benefit obligation at end of year............................ 140,487 748,468 888,955 143,065 835,942 979,007 ------------- ------------ ------------ ----------- ------------ ------------ Change in plan assets: Fair value of plan assets at beginning of year................ 20,190 532,324 552,514 20,250 515,772 536,022 Actual return (negative return) on plan assets................... (200) (52,866) (53,066) (11,138) (37,610) (48,748) Employer contributions............. 1,559 51,497 53,056 71,606 118,582 190,188 Plan participants' contributions.... -- 3,001 3,001 -- 2,974 2,974 Benefits paid...................... (1,299) (18,184) (19,483) (2,116) (19,207) (21,323) ------------- ------------ ------------ ------------ ------------ ------------ Fair value of plan assets at end of year.......................... 20,250 515,772 536,022 78,602 580,511 659,113 ------------- ------------ ------------ ----------- ------------ ------------ Projected benefit obligation in excess of plan assets at end of year............................... (120,237) (232,696) (352,933) (64,463) (255,431) (319,894) Contributions to or benefits paid from plan assets during the three month periods ended March 31, 2001 and 2002...................... 2,313 10,094 12,407 2,698 10,716 13,414 Unrecognized net actuarial loss..... 39,461 166,660 206,121 50,882 289,644 340,526 Unrecognized prior service cost..... 1,833 26,390 28,223 1,621 19,766 21,387 Unrecognized net (asset) obligation at transition.......... (1,750) 21,478 19,728 (1,538) 16,796 15,258 ------------- ------------ ------------ ------------ ------------ ------------ Net amount recognized.............. (Yen) (78,380) (Yen) (8,074) (Yen) (86,454) (Yen)(10,800) (Yen) 81,491 (Yen) 70,691 ============ ============ ============ =========== ============ ============ Amounts recognized in the balance sheets: Prepaid pension cost................ (Yen) 200 (Yen) -- (Yen) 200 (Yen) 301 (Yen) -- (Yen) 301 Accrued benefit liability........... (105,253) (187,520) (292,773) (45,595) (203,819) (249,414) Intangible assets.................. 2,288 49,136 51,424 1,927 40,586 42,513 Accumulated other changes in equity from nonowner sources...... 24,385 130,310 154,695 32,567 244,724 277,291 ------------- ------------ ------------ ----------- ------------ ------------ Net amount recognized.............. (Yen) (78,380) (Yen) (8,074) (Yen) (86,454) (Yen)(10,800) (Yen) 81,491 (Yen) 70,691 ============= ============= ============= ============ ============ ============= -------- Note: The aggregated accumulated benefit obligations of these plans were (Yen)839,339 million and (Yen)921,527 million, respectively, in the years ended March 31, 2001 and 2002. The severance indemnities plans generally employ a multi-variable, non-linear formula based upon compensation at the time of severance, rank and years of service. Employees with service in excess of one year are qualified to receive lump-sum severance indemnities. F-42 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Plan assets, which include pension trust funds managed by certain 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. In accordance with the provisions of SFAS No. 87, the MTFG Group has recorded an additional minimum liability representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liabilities previously recorded. A corresponding amount is recognized as an intangible asset to the extent of unrecognized net obligation at transition and prior service costs, with the balance recorded as a separate reduction of shareholders' equity, net of income taxes. In accordance with BTM's, Mitsubishi Trust's and certain domestic subsidiaries' employment practices, certain early-terminated employees are entitled to special lump-sum termination benefits. The amounts charged to operations for such early termination benefits for the years ended March 31, 2000, 2001 and 2002 were (Yen)10,287 million, (Yen)10,386 million and (Yen)9,914 million, respectively. In the year ended March 31, 2001, Mitsubishi Trust first compiled and published its financial statements in accordance with US GAAP. In the course of the compilation, Mitsubishi Trust management concluded that it is not feasible to obtain the actuarial information necessary to implement SFAS No. 87 as of the effective date specified in the standard, which was the fiscal year ended March 31, 1990 for Mitsubishi Trust. Accordingly, Mitsubishi Trust assumed that it adopted SFAS No. 87 as of April 1, 1995 for the purpose of the consolidated financial statements. The net obligation at transition was (Yen)33,577 million and the estimated remaining service period is 17.5 years at the date of adoption. Six years have passed between the effective date and the assumed adoption date. Mitsubishi Trust recorded (Yen)11,512 million of the net transition obligation directly to equity and is amortizing the remaining portion of the obligation over the 11.5 years. In accordance with an amendment to the relevant welfare pension legislation in the year ended March 31, 2002, BTM and Mitsubishi Trust amended their contributory defined benefit pension plans to change the age of commencement of lifetime annuity payments from 60 to 65. The effect of the negative amendment was a decrease in (Yen)13,544 million of the projected benefit obligation, of which (Yen)10,113 million was associated with BTM's plan amendment and was not reflected in the consolidated financial statements for the year ended March 31, 2002 as BTM amended its plan in January 2002 after BTM's measurement date of December 31, 2001. During the year ended March 31, 2002, BTM and Mitsubishi Trust entered into pension trust agreements with a local trust bank and contributed marketable equity securities at fair value of (Yen)133,158 million to the trusts designated to pay benefits for their severance indemnities plans and contributory pension plans. The transactions were accounted for as sales with an aggregate gain of (Yen)26,225 million recognized for the year then ended. After the merger between Mitsubishi Trust, NTB and Tokyo Trust, the pension plans of NTB and Tokyo Trust were merged and integrated into Mitsubishi Trust' plans. NTB's and Tokyo Trust's plans have been separately administered and managed under the Mitsubishi Trust's plans and continue to provide the same level of benefits to the eligible employees of NTB and Tokyo Trust without amendment. Foreign Offices and Subsidiaries Foreign offices and subsidiaries also have defined contribution plans and/or defined benefit plans, which in the aggregate are not considered significant. The cost of such plans charged to operations for the years ended March 31, 2000, 2001 and 2002 were (Yen)7,205 million, (Yen)5,688 million and (Yen)5,682 million, respectively, including (Yen)2,617 million, (Yen)2,678 million and (Yen)2,584 million, respectively, for defined contribution plans. F-43 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Foreign offices and subsidiaries have post employment and/or postretirement plans for eligible employees and retirees. The costs charged to operations for the years ended March 31, 2000, 2001 and 2002 were (Yen)1,420 million, (Yen)1,136 million and (Yen)1,373 million, respectively. Certain of the MTFG's subsidiaries in the United States of America maintain employees' retirement plans, which are qualified retirement plans covering substantially all of the employees of such subsidiaries. The plans are non-contributory defined benefit plans, which provide benefit upon retirement based on years of service and average compensation. The plans are funded on a current basis in compliance with the requirement of the Employee Retirement Income Security Act of the United States of America. These subsidiaries also provide certain post employment benefits and postretirement benefits other than pensions for employees. Plan assets are generally invested in U.S. government securities, corporate bonds and mutual funds. Net periodic cost of the employees' retirement and other benefit plans of certain subsidiaries in the United States of America for the years ended March 31, 2000, 2001 and 2002 included the following components: 2000 2001 2002 ----------- ----------- ----------- (in millions) Service cost--benefits during the year.................................. (Yen) 3,533 (Yen) 3,016 (Yen) 3,521 Interest costs on projected benefit obligation........................... 4,587 5,163 6,317 Expected return on plan assets.. (4,867) (5,980) (7,462) Amortization of unrecognized net obligation at transition................. 479 403 233 Amortization of unrecognized prior service cost.......................... 79 (26) (30) Recognized actuarial loss.. 235 28 378 ----------- ----------- ----------- Net periodic benefit cost....................................... 4,046 2,604 2,957 Loss on curtailment... 699 661 -- Loss (gain) on Settlement.. 132 (31) -- ----------- ----------- ----------- Net cost after curtailment and settlement......................... (Yen) 4,877 (Yen) 3,234 (Yen) 2,957 =========== =========== =========== 1999 2000 2001 ----------- ----------- ----------- Weighted-average assumptions at December 31: Discount rates in determining expense................................. 6.52% 7.71% 7.53% Discount rates in determining benefit obligation at year end........... 7.71 7.53 7.30 Rates of increase in future compensation level for determining expense. 5.00 5.00 5.00 Rates of increase in future compensation level for determining benefit obligation at year end.. 5.00 5.00 4.89 Expected rates of return on plan assets............................... 8.30 8.35 8.30 F-44 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The following table sets forth the funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2001 and 2002 for the employees' retirement and other benefit plans of certain subsidiaries in the United States of America: 2000 2001 ----------- ------------ (in millions) Change in benefit obligation: Benefit obligation at January 1, 2000 and 2001... (Yen)59,649 (Yen) 80,144 Service cost... 3,016 3,521 Interest cost.. 5,163 6,317 Plan participants' contributions... 123 168 Amendments.. (166) -- Actuarial loss... 7,405 8,422 Settlements... (9) -- Benefits paid... (3,034) (3,912) Translation adjustments... 7,997 13,256 ----------- ------------ Benefit obligation at December 31, 2000 and 2001....................................... 80,144 107,916 ----------- ------------ Change in plan assets: Fair value of plan assets at January 1, 2000 and 2001................................. 70,047 80,577 Actual return (negative return) on plan assets....................................... 1,408 (3,749) Employer contribution... 3,379 9,427 Plan participants' contributions.. 123 168 Benefits paid... (2,955) (3,882) Translation adjustments... 8,575 12,246 ----------- ------------ Fair value of plan assets at December 31, 2000 and 2001................................ 80,577 94,787 ----------- ------------ Fair value of plan assets (projected benefit obligation) in excess of projected benefit obligation (fair value of plan assets) at December 31, 2000 and 2001................. 433 (13,129) Unrecognized net actuarial loss (gain)... (2,946) 17,486 Unrecognized prior service cost.. 25 62 Unrecognized net obligation at transition... 4,718 5,443 ----------- ------------ Net amount recognized.. (Yen) 2,230 (Yen) 9,862 =========== ============ Amounts recognized in the balance sheets: Prepaid pension cost... (Yen) 5,432 (Yen) 13,211 Accrued benefit liability.. (3,325) (2,887) Intangible assets... 31 26 Accumulated other changes in equity from nonowner sources.............................. 92 (488) ----------- ------------ Net amount recognized.. (Yen) 2,230 (Yen) 9,862 =========== ============ F-45 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 17. OTHER ASSETS AND LIABILITIES Major components of other assets and liabilities at March 31, 2001 and 2002 were as follows: 2001 2002 -------------- -------------- (in millions) Other assets: Accounts receivable: Receivables from brokers, dealers and customers for securities transactions... (Yen) 584,518 (Yen) 499,588 Other.. 107,845 332,403 Deferred income tax assets... 728,319 1,120,831 Investments in affiliated companies.. 119,451 95,421 Other real estate owned... 33,892 11,724 Other... 446,072 600,937 -------------- -------------- Total... (Yen)2,020,097 (Yen)2,660,904 ============== ============== Other liabilities: Accounts payable: Payables to brokers, dealers and customers for securities transactions..... (Yen)1,296,509 (Yen)1,255,434 Other... 387,733 407,185 Deferred income tax liabilities... 42,185 61,478 Allowance for off-balance-sheet credit instruments........................... 56,302 102,629 Accrued pension liability... 298,756 254,955 Minority interest.. 173,388 210,503 Accrued and other liabilities.. 227,752 430,154 -------------- -------------- Total... (Yen)2,482,625 (Yen)2,722,338 ============== ============== At March 31, 2001 and 2002, the valuation allowance to write down the carrying amounts of other real estate owned to their estimated fair value less estimated cost to sell was (Yen)37,656 million and

(Yen)11,195 million, respectively. The valuation allowance decreased by (Yen)69,201 million, (Yen)56,190 million and (Yen)26,461 million, respectively, during the years ended March 31, 2000, 2001 and 2002. Investments in affiliated companies, which are accounted for using the equity method, include marketable equity securities carried at (Yen)96,501 million and (Yen)68,341 million, respectively, at March 31, 2001 and 2002. Corresponding aggregated market values were (Yen)101,716 million and (Yen)71,680 million, respectively. At March 31, 2001 and 2002, capitalized costs of software for internal uses are (Yen)98,475 million and (Yen)126,441 million, which are included in "Other." Related amortization expenses are (Yen)31,734 million and (Yen)36,932 million respectively, for the years ended March 31, 2001 and 2002. 18. PREFERRED STOCK MTFG is authorized to issue 81,400 shares of Class 1 Preferred Stock, 100,000 shares of Class 2 Preferred Stock, 120,000 shares of Class 3 Preferred Stock and 120,000 shares of Class 4, without par value. All classes of preferred stock are non-voting and have equal preference over MTFG's common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of MTFG. They are all non-cumulative and non-participating for dividend payments. Shareholders of Class 1, Class 2, Class 3 and F-46 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Class 4 Preferred Stock receive a liquidation distribution at (Yen)3,000 thousand, (Yen)2,000 thousand, (Yen)2,500 thousand and (Yen)2,500 thousand per share, respectively, and do not have the right to participate in any further liquidation distributions. Class 1 Preferred Stock Class 1 Preferred Stock is redeemable at the option of MTFG. At the time of issuance, the Board of Directors determines an issue price, while an annual dividend (not to exceed (Yen)82,500 per share) and redemption terms, including a redemption price, are stipulated by the articles of incorporation. On January 21, 1999, BTM issued 81,400 thousand shares of Class 1 preferred stock at (Yen)3,000 per share ((Yen)244,200 million in the aggregate). On April 2, 2001, MTFG issued 81,400 shares of Class 1 Preferred Stock in exchange for Class 1 preferred stock of BTM at an exchange ratio of one share of MTFG's Class 1 Preferred Stock for each 1,000 shares of BTM Class 1 preferred stock. MTFG may redeem shares of Class 1 Preferred Stock at (Yen)3,000 thousand per share, in whole or in part, on or after January 21, 2004. Class 2 Preferred Stock Class 2 Preferred Stock is convertible into common stock at the option of the shareholders during a conversion period. The conversion is mandatorily required on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, while an annual dividend (not to exceed (Yen)16,200 per share) and conversion terms, including a conversion period, are stipulated by the articles of incorporation. On March 31, 1999, Mitsubishi Trust issued 100,000 thousand shares of Class 1 preferred stock at (Yen)2,000 per share ((Yen)200,000 million in the aggregate). On April 2, 2001, MTFG issued 100,000 shares of Class 2 Preferred Stock in exchange for Class 1 preferred stock of Mitsubishi Trust on exchange ratio of one share of MTFG's Class 2 Preferred Stock for each 1,000 shares of Mitsubishi Trust Class 1 preferred stock. At the option of the shareholders, Class 2 Preferred Stock is convertible into common stock during the period from July 31, 2003 to July 31, 2008 at the conversion price of (Yen)1,391,428 per share. The conversion price will be revised annually on August 1 of each year from 2003 through 2007 to reflect, with certain adjustments, as defined, the average market closing price of the common stock traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of revision of the conversion price. The conversion price will not exceed the initial conversion price of (Yen)1,391,428 nor be below (Yen)714,285 unless certain events or circumstance, as defined, arise after the issuance of the Class 2 Preferred Stock shares. Class 2 Preferred Stock shares which are not converted at the option of the shareholders will be mandatorily converted into common stock on August 1, 2008, at the conversion price determined based on the average market closing price of the common stock traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of mandatory conversion. In the event the average market closing price is below (Yen)714,285, the conversion price will be (Yen)714,285. Class 3 Preferred Stock Class 3 Preferred Stock is redeemable at the option of MTFG. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed (Yen)250,000 per share), and redemption terms, including a redemption price. No shares of the Class 3 Preferred Stock are issued and outstanding at March 31, 2001 and 2002. F-47 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Class 4 Preferred Stock Class 4 Preferred Stock is convertible into common stock at the option of preferred stock shareholders during a conversion period. The conversion is mandatorily required on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed (Yen)125,000 per share), and conversion terms, including a conversion period. No shares of the Class 4 Preferred Stock are issued and outstanding at March 31, 2001 and 2002. MTFG may, at any time, purchase and retire, at fair value, of Classes 1 through 4 Preferred Stock out of earnings available for distribution to the shareholders. 19. COMMON STOCK AND CAPITAL SURPLUS The changes in the number of issued shares of common stock during the years ended March 31, 2000, 2001 and 2002 were as follows: 2000 2001 2002 --------- --------- --------- (shares) Balance at beginning of year............ 5,587,068 5,587,068 5,587,068 Issued in exchange for the shares of NTB -- -- 155,400 --------- --------- --------- Balance at end of year................. 5,587,068 5,587,068 5,742,468 ========= ========= ========= Under the Code, issuances of common stock, including conversions of bonds and notes, are required to be credited to the common stock account for at least 50% of the proceeds and to the legal capital surplus account ("legal capital surplus") for the remaining amounts. At March 31, 2002, 146,797 shares were reserved for the conversion of outstanding bonds and notes discussed in Note 14. The Code permits Japanese companies, upon approval by the Board of Directors, to issue shares in the form of a "stock split," as defined in the Code (see Note 1). Also, the Code prior to April 1, 1991 permitted Japanese companies to issue free share distributions. BTM and Mitsubishi Trust from time to time made free share distributions. These free distributions usually were from 5% to 10% of outstanding common stock and publicly-owned corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing the appropriate capital accounts by an amount equal to the fair value of the shares issued. The application of such United States accounting practice to the cumulative free distributions made by BTM and Mitsubishi Trust at March 31, 2002, would have increased capital accounts by (Yen)1,910,106 million with a corresponding decrease in unappropriated retained earnings. The Code permits, upon approval of the Board of Directors, the transfer of amounts from the legal capital surplus to the capital stock account. The Code, as amended effective on October 1, 2001 (the "Code Amendments") permits Japanese companies to effect purchases of their own shares pursuant to a resolution by the shareholders at an annual general meeting until the conclusion of the following ordinary general meeting of shareholders, and to hold such shares as its treasury shares indefinitely regardless of any purpose. However, the Code requires the amount of treasury stock purchased be within the amount of retained earnings available for dividends. Disposition of treasury stock is subject to the approval of the Board of Directors and is to follow the procedures similar to the public offering of shares for subscription. Prior to the amendment, in principle, reacquisition of treasury shares was prohibited with F-48 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) the exception of reacquisition for retirement and certain limited purposes, as specified by the Code. Any treasury shares were required to be disposed of shortly. 20. RETAINED EARNINGS, LEGAL RESERVE AND DIVIDENDS In addition to the Code, Japanese banks, including BTM and Mitsubishi Trust, are required to comply with the Banking Law of Japan (the "Banking Law"). Legal Reserve Set Aside as Appropriation of Retained Earnings and Legal Capital Surplus Under the Code Effective October 1, 2001, the Code Amendments provide that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 25% of common stock. Prior to the Code Amendments, the Code provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of common stock. The retained earnings so appropriated may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to capital stock by resolution of the Board of Directors. Under the Banking Law In line with the Code Amendments, on June 29, 2001, amendments to the Banking Law (the "Banking Law Amendments") were promulgated and became effective on October 1, 2001. The Banking Law Amendments provide that an amount at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 100% of common stock. Prior to the Banking Law Amendments, the Banking Law provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of common stock. The retained earnings so appropriated may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to capital stock by resolution of the Board of Directors. Unappropriated Retained Earnings and Dividends Under the Code, the amount of retained earnings available for dividends is based on the amount recorded in the MTFG's general books of account maintained in accordance with accepted Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements but not recorded in MTFG's general books of account as explained in Note 1 have no effect on the determination of retained earnings available for dividends under the Code. In addition to the provision that requires an appropriation for legal reserve as described above, the Code and the Banking Law impose certain limitations on the amount of retained earnings available for dividends. Under the Banking Law, MTFG, BTM and Mitsubishi Trust have to meet the minimum capital adequacy requirements and distributions of the retained earnings of MTFG, BTM and Mitsubishi Trust, which are otherwise distributable to shareholders, are restricted in order to maintain the minimum 4% Tier I capital for capital adequacy purpose. F-49 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) MTFG was established on April 2, 2001 with common stock of (Yen)924,400 million, preferred stock of (Yen)222,100 million, legal capital surplus of (Yen)2,838,693 million and no retained earnings in accordance with the Code and accounting principles generally accepted in Japan. None of the retained earnings recorded in the MTFG's general books of account, prepared in accordance with accounting principles generally accepted in Japan, as of March 31, 2002 ((Yen)67,541 million, exclusive of the amounts to be appropriated for legal reserves and gross unrealized gains on fair valuation of assets, as defined, if any), is restricted by such limitations under the Code or by the Banking Law as described above. Transfer of Legal Reserve to Retained Earnings Under the Code Amendments Effective October 1, 2001, under the Code Amendments, Japanese companies, including MTFG, are permitted, pursuant to a resolution by the shareholders at a general meeting, to transfer legal reserve set aside as appropriation of retained earnings and legal capital surplus to retained earnings and unrestricted capital surplus, respectively, until the aggregate amount of the legal reserve and legal capital surplus equals 25% of common stock, which were formerly permitted only to reduce deficit and to transfer to common stock. Under the Banking Law Amendments Effective October 1, 2001, under the Banking Law Amendments, Japanese banks, including BTM and Mitsubishi Trust, are permitted, pursuant to a resolution by the shareholders at a general meeting, to transfer legal reserve set aside as appropriation of retained earnings and legal capital surplus to retained earnings and unrestricted capital surplus, respectively, until the aggregate amount of the legal reserve and legal capital surplus equals 100% of common stock. The Code permits the transfer, upon approval of the shareholders, of a portion of unappropriated retained earnings available for dividends to the common stock account. Annual dividends, including those for preferred stock, are approved by the shareholders at an annual general meeting held subsequent to the fiscal year to which the dividends are applicable. In addition, a semi-annual interim dividend payment may be made by resolution of the Board of Directors, subject to limitations imposed by the Code and the Banking Law. In the accompanying consolidated statements of shareholders' equity, dividends and appropriations to legal reserve shown for each year represent dividends approved and paid during the year and the related appropriation to legal reserve. 21. REGULATORY CAPITAL REQUIREMENTS Japan MTFG, BTM and Mitsubishi Trust are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which they operate. Failure to meet minimum capital requirements will initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on MTFG's consolidated financial statements. In Japan, MTFG, BTM, and Mitsubishi Trust are subject to regulatory capital requirements administered by the Financial Services Agency of Japan in accordance with the provisions of the Banking Law. A banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or F-50 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) as a subsidiary under the control of another company. When a bank holding company manages operations of its banking subsidiaries, it is required to maintain the minimum capital adequacy ratio in the same manner as its subsidiary banks. The Financial Services Agency provides two sets of capital adequacy guidelines. One is a set of guidelines applicable to Japanese banks and bank holding companies with foreign offices conducting international operations, as defined, and the other is applicable to Japanese banks and bank holding companies that are not engaged in international operations. Under the capital adequacy guidelines applicable to a Japanese banking institution with international operations conducted by foreign offices, the minimum target capital ratio of 8.0% is required. The capital adequacy guidelines adopt the approach of risk-weighted capital measure based on the framework developed and proposed by the Basel

Committee on Banking Supervision of the Bank for International Settlements and involve quantitative credit measures of the assets and certain off-balance-sheet items as calculated under accounting principles generally accepted in Japan. The MTFG Group's proprietary assets do not include trust assets under management and administration in a capacity of agent or fiduciary and trust assets are generally not included in the capital measure. However, guarantees for trust principals are counted as off-balance-sheet items requiring for a capital charge in accordance with the capital adequacy guidelines. Also, a banking institution engaged in certain qualified trading activities, as defined, is required to calculate an additional capital charge for market risk using either the institution's own internal risk measurement model or a standardized process proposed and defined by the Bank for International Settlements. Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I generally consists of shareholders' equity (including common stock, preferred stock, capital surplus and retained earnings) less any recorded goodwill. Tier II generally consists of general reserves for credit losses, 45% of the unrealized gains on investment securities available for sale, 45% of the land revaluation excess and the balance of subordinated term debt with an original maturity of over five years, up to 50% of Tier I capital. Preferred stocks are includable in Tier I capital unless the preferred stocks have fixed maturity, in which case, such preferred stocks will be components of Tier II capital. Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital ratio must be maintained in the form of Tier I capital. If a banking institution is not engaged in international operations conducted by foreign offices, it is subject to the other set of capital adequacy requirements with a minimum target capital ratio of 4.0%. Such guidelines incorporate measures of risk under the risk-weighted approach similar to the guidelines applicable to banking institutions with international operations. Qualifying capital is classified into Tier I and Tier II capital. The Banking Law and related regulations require that one of three categories be assigned to banks and bank holding companies, based on its risk-adjusted capital adequacy ratio if the bank fails to meet the minimum target capital adequacy ratio. These categories indicate capital deterioration, which may be subject to certain prompt corrective action by the Financial Services Agency. If the capital ratio of a banking institution is equal to or greater than the specific preestablished minimum target capital ratio, MTFG, BTM and Mitsubishi Trust are not subject to prompt corrective action. MTFG, BTM and Mitsubishi Trust have international operations conducted by foreign offices, as defined, and are subject to the 8.0% capital adequacy requirement, while NTB which had no international operations and is subject to the 4.0% minimum requirement. For the purpose of calculating the additional charge for market risk, MTFG, BTM and Mitsubishi Trust have adopted the internal risk measurement model approach for general market risk calculations. The risk-adjusted capital amounts and ratios of MTFG, BTM, Mitsubishi Trust and NTB, presented in the following table are based on amounts calculated in accordance with accounting principles generally accepted in F-51 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Japan. As MTFG was established at April 2, 2001, the risk-weighted assets and capital ratios of MTFG at March 31, 2001 set forth below present the combined amounts and ratios of BTM and Mitsubishi Trust before any adjustments including elimination of transactions and balances. These figures are calculated in accordance with Japanese GAAP as required by the Financial Services Agency. For Capital Actual Adequacy Purposes ------------------- ------------------- Amount Ratio Amount Ratio ------------- ----- ------------- ----- (in millions except percentages) Consolidated: At March 31, 2001: Total capital (to risk-weighted assets): MTFG (combined)............................ (Yen)6,367,748 10.15% (Yen)5,017,264 8.00% BTM...................................... 4,896,616 9.69 4,041,520 8.00 Mitsubishi Trust.......................... 1,471,132 12.06 975,745 8.00 NTB....................................... 54,530 8.17 26,675 4.00 Tier I capital (to risk-weighted assets): MTFG (combined)............................ 3,339,260 5.32 2,508,632 4.00 BTM....................................... 2,498,222 4.94 2,020,760 4.00 Mitsubishi Trust.......................... 841,038 6.89 487,873 4.00 NTB....................................... 35,362 5.30 13,337 2.00 At March 31, 2002: Total capital (to risk-weighted assets): MTFG...................................... (Yen)6,220,529 10.30% (Yen)4,826,869 8.00% BTM....................................... 5,010,273 10.29 3,892,627 8.00 Mitsubishi Trust.......................... 1,309,224 10.83 966,824 8.00 Tier I capital (to risk-weighted assets): MTFG...................................... 3,181,174 5.27 2,413,435 4.00 BTM....................................... 2,556,677 5.25 1,946,313 4.00 Mitsubishi Trust.......................... 753,834 6.23 483,412 4.00 Stand-alone: At March 31, 2001: Total capital (to risk-weighted assets): BTM....................................... 4,903,619 11.28 3,476,715 8.00 Mitsubishi Trust.......................... 1,411,144 11.80 957,029 8.00 NTB....................................... 54,004 8.10 26,656 4.00 Tier I capital (to risk-weighted assets): BTM....................................... 2,475,698 5.70 1,738,357 4.00 Mitsubishi Trust.......................... 783,148 6.55 478,514 4.00 NTB....................................... 34,839 5.23 13,328 2.00 At March

31, 2002: Total capital (to risk-weighted assets): BTM....................................... 4,360,606 10.37 3,363,679 8.00 Mitsubishi Trust........................... 1,298,313 10.90 952,869 8.00 Tier I capital (to risk-weighted assets): BTM....................................... 2,182,853 5.19 1,681,839 4.00 Mitsubishi Trust........................... 744,493 6.25 476,434 4.00 F-52 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The Group has securities subsidiaries in Japan and abroad, which are also subject to regulatory capital requirements. In Japan, the Securities and Exchange Law of Japan requires securities firms to maintain a minimum capital ratio of 120% calculated by as a percentage of capital accounts less certain fixed assets, as determined in accordance with Japan GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which detail the definition of essential components of the capital ratios, including capital, fixed assets deductions, risks, and related measures. Failure to maintain minimum capital ratio will trigger mandatory regulatory actions and a capital ratio of 100% or less may lead to a suspension of all or part of the business for a period of time and cancellation of a license. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries or jurisdictions in which they operate. Management believes, as of March 31, 2002, that MTFG, BTM, Mitsubishi Trust and other regulated securities subsidiaries meet all capital adequacy requirements to which they are subject. United States of America In the United States of America, UnionBanCal Corporation ("UNBC") and its banking subsidiary Union Bank of California, N.A. ("UBOC"), BTM's largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by U.S. Federal banking agencies, including minimum capital requirements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, UNBC and UBOC must meet specific capital guidelines that involve quantitative measures of UNBC's and UBOC's assets, liabilities, and certain off-balance-sheet items as calculated under U.S. regulatory accounting practices. UNBC's and UBOC's capital amounts and UBOC's prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require UNBC and UBOC to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to quarterly average assets (as defined). UNBC's and the UBOC's actual capital amounts and ratios are presented as follows: For Capital Actual Adequacy Purposes ------------ ---------------- Amount Ratio Amount Ratio ------ ----- ------ ----- (in millions except percentages) UNBC: At December 31, 2000: Total capital (to risk-weighted assets).......... $4,091 12.07% $2,712 8.0% Tier I capital (to risk-weighted assets)......... 3,471 10.24 1,356 4.0 Tier I capital (to quarterly average assets)..... 3,471 10.19 1,363 4.0 At December 31, 2001: Total capital (to risk-weighted assets).......... 4,260 13.35 2,553 8.0 Tier I capital (to risk-weighted assets)......... 3,661 11.47 1,276 4.0 Tier I capital (to quarterly average assets)..... 3,661 10.53 1,390 4.0 F-53 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Ratios OCC For Capital Requires to Be Actual Adequacy Purposes "Well Capitalized" ------------ ---------------- ---------------- Amount Ratio Amount Ratio Amount Ratio ------ ----- ------ ----- ------ ----- (in millions except percentages) UBOC: At December 31, 2000: Total capital (to risk-weighted assets)...... $3,671 11.01% $2,667 8.0% $3,334 10.0% Tier I capital (to risk-weighted assets)..... 3,158 9.47 1,334 4.0 2,001 6.0 Tier I capital (to quarterly average assets).................................. 3,158 9.24 1,367 4.0 1,709 5.0 At December 31, 2001: Total capital (to risk-weighted assets)...... 3,811 12.19 2,502 8.0 3,127 10.0 Tier I capital (to risk-weighted assets)..... 3,323 10.63 1,251 4.0 1,876 6.0 Tier I capital (to quarterly average assets).................................. 3,323 9.69 1,371 4.0 1,714 5.0 Management believes, as of December 31, 2001, that UNBC and UBOC met all capital adequacy requirements to which they are subject. As of December 31, 2000 and 2001, the most recent notification from the U.S. Office of the Comptroller of the Currency ("OCC") categorized UBOC as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," UBOC must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed UBOC's category. 22. LOSS PER COMMON SHARE Reconciliations of net loss and weighted average number of common shares outstanding used for the computation of loss per common share--basic to the adjusted amounts for the computation of loss per common share--assuming dilution for the years ended March 31, 2000, 2001 and 2002 were as follows: 2000 2001 2002 ------------ ------------ ------------ (in millions) Net loss before cumulative effect of a change in accounting principle (Yen)(47,542) (Yen)(59,174) (Yen)(222,401) Cumulative effect of a change in accounting principle............... -- -- 5,867 ------------

------------ ------------- Net loss.. (47,542) (59,174) (216,534) ------------ ------------ ------------- Income attributable to preferred shareholders....................... (5,464) (8,336) (4,168) ------------ ------------ ------------- Loss available to common shareholders............................... (Yen)(53,006) (Yen)(67,510) (Yen)(220,702) ============ ============ ============= Loss adjusted to diluted computation................................ (Yen)(53,006) (Yen)(67,510) (Yen)(220,702) ============ ============ ============= F-54 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 2000 2001 2002 -------------- -------------- -------------- (thousands of shares) Weighted average common shares outstanding...................... 5,485 5,500 5,555 ============== ============== ============== Weighted average common shares for diluted computation........... 5,485 5,500 5,555 ============== ============== ============== (in yen) Loss per common share--basic Loss before cumulative effect of a change in accounting principle (Yen)(9,663.81) (Yen)(12,274.55) (Yen)(40,789.57) -------------- -------------- -------------- Cumulative effect of a change in accounting principle........... -- -- 1,056.25 -------------- -------------- -------------- Net loss... (Yen)(9,663.81) (Yen)(12,274.55) (Yen)(39,733.32) ============== ============== ============== Loss per common share--assuming dilution Loss before cumulative effect of a change in accounting principle (Yen)(9,663.81) (Yen)(12,274.55) (Yen)(40,789.57) -------------- -------------- -------------- Cumulative effect of a change in accounting principle........... -- -- 1,056.25 -------------- -------------- -------------- Net loss... (Yen)(9,663.81) (Yen)(12,274.55) (Yen)(39,733.32) ============== ============== ============== The weighted average number of common shares outstanding during each year is appropriately adjusted to give retroactive effect to the free distribution of shares made to shareholders, if any, and the stock-for-stock exchanges in connection with the business combination, as described in Note 2. Accordingly, the number of common shares and per-share amounts set forth above are hypothetical and do not reflect actual amounts recorded in the historical financial statements of BTM and Mitsubishi Trust. 1 3/4% Convertible Bonds due 2002, 3% Exchangeable Guaranteed Notes due 2002, Exchangeable undated bonds, 2 1/2% Convertible Bonds due 2001, 3 1/4% Convertible Bonds due 2003 and Class 2 Preferred Stock could potentially dilute earnings per common share in the future but were not included in the computation of earnings per common share--assuming dilution for the years ended March 31, 2000 and 2001 due to their antidilutive effects. For the year ended March 31, 2002, 3% Exchangeable Guaranteed Notes due 2002 and Class 2 Preferred Stock could potentially dilute earnings per common share in the future but were not included in the computation of earnings per common share--assuming dilution due to their antidilutive effects. 23. DERIVATIVE FINANCIAL INSTRUMENTS The MTFG Group uses various derivative financial instruments both for trading purposes and for purposes other than trading (primarily risk management purposes) in the normal course of business to meet the financial needs of its customers, as a source of revenue and to manage its exposures to a variety of risks. The MTFG Group is a party to derivatives, including swaps, forwards, options and other types of derivatives, dealing primarily with market risk associated with interest rate, foreign currency, equity and commodity prices, and credit risk associated with counterparty's nonperformance of transactions. Market risk is the possibility that future changes in market indices make the financial instruments less valuable. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract, which may exceed the value of underlying collateral. To reduce credit risk, the MTFG Group may require collateral or guaranties based on a case-by-case assessment of creditworthiness of each customer and evaluation of the instrument. The MTFG Group also uses master netting agreements in order to mitigate overall counterparty credit risk. Trading Activities The MTFG Group's trading activities include dealing and other activities measured at fair value with gains and losses recognized currently in earnings. As part of its trading activities, the MTFG Group offers a variety of F-55 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) derivative financial instruments and debt instruments for managing interest rate and foreign exchange risk to its domestic and foreign corporate and financial institution customers. The MTFG Group also enters into other types of derivative transactions, including equity and credit-related contracts, for its own account. Risk Management Activities As part of risk management activities, the MTFG Group uses certain derivative transactions to manage its interest rate and currency exposures. The MTFG Group maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The MTFG Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation. Interest income and interest expense on hedged variable-rate assets and liabilities, respectively, increase or decrease as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings. The MTFG Group enters into interest rate swaps and other contracts as part of its interest rate risk management strategy primarily to alter the interest rate sensitivity of its loans, investment securities and deposit liabilities. The MTFG Group's principal objectives in risk management include asset and liability management. Asset and liability management is viewed as one of the methods for the MTFG Group to manage its interest rate exposures on interest-bearing assets and liabilities. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the MTFG Group to effectively manage its interest rate risk position. Option contracts primarily consist of caps, floors, swaptions and options on index futures. Futures contracts used for ALM activities are primarily index futures providing for cash payments based upon the movement of an underlying rate index. The MTFG Group enters into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance-sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level. The risk management activities reduces the MTFG Group's risk exposures economically, however, derivatives used for the risk management activities often fail to meet certain conditions to qualify for hedge accounting and the MTFG Group accounts for such derivatives as trading positions. For the years ended March 31, 2001 and 2002, except for derivative transactions conducted by certain foreign subsidiaries, the MTFG Group accounts for derivatives held for risk management purposes as trading positions and measured them at fair value. Embedded Derivatives Derivative features embedded in other non-derivative host contracts are separated from the host contracts measured at fair value when they are not clearly and closely related to the host contract and meet the definition of a derivative. Unless qualified as a hedge, change in the fair value of such an embedded derivative is recognized currently in earnings. The carrying amount is reported on the consolidated balance sheet with the host contract. The MTFG Group accounts for credit-linked notes as host contracts with embedded derivatives and measures the entire contracts at fair value. F-56 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) UnionBanCal Corporation UNBC adopts hedging strategies and uses some types of derivatives to achieve cash flow and fair value hedge accounting for certain transactions. Cash Flow Hedges UNBC engages in a few types of cash flow hedging strategies for which the hedged transactions are forecasted future loan interest payments, and the hedged risk is the variability in those payments due to changes in the designated benchmark rate, e.g., US dollar LIBOR. In these strategies, the hedging instruments are matched with groups of variable rate loans such that the tenor of the variable rate loans and that of the hedging instrument is identical. Cash flow hedging strategies include the utilization of purchased floor, caps corridors and interest rate swaps. The maximum length of time over which UNBC is hedging this exposure is 4 years. UNBC uses purchased interest rate floors to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Payment received under the floor contract offset the decline in loan interest income caused by the relevant LIBOR index falling below the floor's strike rate. UNBC uses interest rate corridors to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Net payments to be received under the floor corridor contracts offset the decline in loan interest income caused by the relevant LIBOR index falling below the corridor's upper strike rate, but only to the extent the index falls to the lower strike rate. UNBC uses interest rate swaps to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loan portfolio. Payment to be received (or paid) under the swap contracts will offset the fluctuation in loan interest receipt caused by changes in the relevant LIBOR index. As such, these instruments hedge all fluctuation in the loans' interest receipt caused by change in LIBOR. UNBC uses purchased interest rate caps to hedge the variable cash flows associated with 3-month LIBOR or 6-month LIBOR negotiable certificate of deposits ("CDs"). Net payments to be received under the cap contract offset the increase in interest payments caused by the relevant LIBOR index rising above the cap's strike rate. Hedging transactions are structured at inception so that the notional amounts of the hedge are matched with an equal principal amount of loans or CDs, the index and repricing frequencies of the hedge matches those of the loans or CDs, and the period in which the designated hedged cash flows occur is equal to the term of the hedge. As such, most of the ineffectiveness in the hedging relationship results from the mismatch between the timing of reset date on the hedge versus those of the loans or CDs. During 2001, UNBC recognized a net loss of US$0.5 million due to ineffectiveness, which is recognized in Non-interest expense. Most of the ineffectiveness related to the portion of the options that were being excluded from the assessment of hedge effectiveness. For cash flow hedges, based upon amounts included in accumulated other comprehensive income at March 31, 2002, the MTFG Group expects to recognize a gross increase of (Yen)5 billion in net interest income during 2002. This amount could differ from amounts actually realized due to changes in interest rate and the addition of other hedges subsequent to March 31, 2002. Fair Value Hedge UNBC engages in an interest rate hedging strategy in which an interest rate swap is associated with a specific interest bearing liability, UnionBanCal Corporation's obligated mandatorily redeemable Preferred F-57 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Securities of Subsidiary Grantor Trust ("Trust Preferred Securities"), in order to essentially convert a portion of the liability from a fixed rate to a floating rate instrument. This strategy mitigates the changes in fair value of the hedged liability caused by changes in the designated benchmark interest rate, US dollar LIBOR. Fair value hedging transactions are structured at inception so that the notional amounts of the swap match an associated principal amount of the Trust Preferred Securities. The interest payment dates, the expiration date, and the embedded call option of the swap match those of the Trust Preferred Securities. The ineffectiveness on fair value hedges in 2001 resulted in a net gain US$0.1 million, which is recognized in Non-interest Expense. 24. OFF-BALANCE-SHEET CREDIT-RELATED FINANCIAL INSTRUMENTS The MTFG Group issues off-balance-sheet credit-related financial instruments for purposes other than trading. Such credit-related financial instruments contain lending-related commitments, including commitments to extend credit, standby letters of credit, guaranties, and commercial letters of credit that the MTFG Group provides to meet the financing needs of its customers. For these financial instruments, the contract amount represents the possible credit risk associated with failure of the counterparty to perform in accordance with the terms and conditions of the contract, and the decline in value of the underlying collaterals. The credit risk associated with these financial instruments varies depending on the counterparty's creditworthiness and the value of any collateral held. Since many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At March 31, 2002, approximately 74% of these commitments will expire within one year, 22% from one year to five years and 4% after five years. Off-Balance-Sheet Lending-Related Commitments The following is a summary of the contract amounts of these financial instruments at March 31, 2001 and 2002: 2001 2002 ----------- ----------- (in billions) Commitments to extend credit........... (Yen)26,752 (Yen)29,367 Standby letters of credit and guarantees 5,263 5,295 Commercial letters of credit........... 353 378 Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to customers as long as there is no violation of any condition established in the contract. Standby letters of credit and guarantees are conditional commitments issued by the MTFG Group to guarantee the performance of a customer to a third party. The MTFG Group is obliged to pay the third party upon presentation of a claim that meets the conditions of the commitment; however, based on its past experience, the MTFG Group does not expect the third party to draw significant amounts of funds under such commitment. These guaranties at March 31, 2001 and 2002 included guaranties of securities of other issuers, principally domestic corporate customers, aggregating (Yen)370 billion and (Yen)388 billion, respectively, for the payment of bond and note principal and related interest. Commercial letters of credit, used for facilitating trade transactions, are generally secured by underlying goods. The MTFG Group continually monitors the type and amount of collateral and other security, and requires counterparties to provide additional collateral or guarantors as necessary. F-58 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Guarantee for Repayment of Trust Principal Trust banks, offering a variety of trust arrangements, manage trust funds that contain various portfolios of assets and properties. Some trust arrangements are in the form of money in trusts. Money in trust is a trust arrangement in which money is entrusted to form a trust fund and may be managed jointly to collect funds from individual investors through issuance of beneficiary certificates, which are pooled to achieve greater diversification of investments, stability of income, or other investment objectives. Loan trust is a type of jointly operated designated money in trust, of which funds are principally invested in commercial lending. In view of the trust bank's investment discretion, money trusts are categorized as specified money trust and designated money trust. As to specified money trust, investors decide on and specifically instruct investments of trust assets. A trust bank does not exercise investment decisions, and invests each trust asset in accordance with the specific instructions from the investors. As to designated money trusts, however, a trust bank is allowed to exercise certain investment discretion, subject to the investors' designation of classes of the investment assets. Mitsubishi Trust manages and administers trust assets in a capacity of agent or fiduciary on behalf of its customers and, in principle, will not assume any risks associated with trust assets. However, as permitted by applicable laws, Mitsubishi Trust may provide guarantees for repayment of principal of certain jointly operated designated money trusts, such as loan trusts, and is contingently liable to the guarantee for principal of individual trust assets. The accounting principles and practices used for the trust banking subsidiary's consolidated financial statements do not apply to the trust accounts under management. Generally, the application of trust accounting does not affect the recorded assets and liabilities of Mitsubishi Trust. However, for the purpose of identifying an impairment of a loan within the trust account, Mitsubishi Trust follows substantially the same methodology used in determining the specific allowance for loan credit losses, with inherent variations in treatment peculiar to trust fund accounting. Under the trust accounting of the trust banking subsidiary, amounts of the loans deemed to be impaired are written off directly and are charged to the profit earned by the trust account during the trust accounting period. Related write-downs of these securities are also directly charged to the trust account profits. In addition, a statutory reserve is set aside to absorb losses in the trust asset portfolios within each trust account in accordance with relevant legislation concerning trust business. An allowance for losses on such guarantees is required in the financial statements only when aggregate losses on trust assets are judged to exceed the statutory reserve and the profit earned in the trust account, and the principal is deemed to be impaired. At March 31, 2001 and 2002, contract amounts of such guarantees for repayment of trust principal were (Yen)4,878 billion and (Yen)3,441 billion, respectively. Management believes that the statutory reserve is sufficient to absorb probable losses inherent in the trust portfolio and has not recorded an allowance for credit losses on guarantee for repayment of trust principal in the accompanying consolidated balance sheets at March 31, 2001 and 2002. Resale and Repurchase Agreements and Security Lending Transactions Security lending transactions involve the lending of securities borrowed from other financial institutions or customers' securities held in custody to third party borrowers. The MTFG Group generally obtains collateral from borrowers, including cash and securities, with similar fair value. The MTFG Group follows strict levels of collateralization governed by daily mark-to-market analyses and a review of the creditworthiness of borrowers to control exposure to credit losses resulting from a reduction in the underlying collateral value and nonperformance by borrowers. Certain subsidiaries lend customer securities as agent and, at times, indemnify their customers against counterparty default. At March 31, 2001 and 2002, notional amounts of such security lending transactions with indemnification were (Yen)441 billion and (Yen)648 billion, respectively. F-59 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The MTFG Group enters into repurchase and resale transactions. In a sale of securities or other financial instruments with agreement to repurchase them, the MTFG Group sells securities or other financial instruments at a stated price to a counterparty and agrees to repurchase identical financial instruments from the same counterparty at a later date at the predetermined price which reflect the principal amount and interest. In a purchase of securities or other financial instruments with agreement to resale them, the MTFG Group receives securities or other financial instruments for a stated price from a counterparty and agrees to sell them to the same counterparty at a later date at the predetermined price reflecting the principal amount and interest. When certain conditions specified in SFAS No. 140 are met, the MTFG Group accounts for resale agreements as purchase of financial instruments with related off-balance-sheet forward resale commitments and repurchase agreements as sale of financial instruments with related off-balance-sheet forward repurchase agreements. The MTFG Group bears the off-balance-sheet risk related to the forward repurchase commitments, including credit risk and market risk. At March 31, 2001 and 2002, contract amounts of such forward repurchase commitments were (Yen)4,526 billion and (Yen)677 billion, respectively. Concentration of Credit Risk Although the MTFG Group's portfolio of financial instruments, including on-balance-sheet instruments, is widely diversified along industry and geographic lines, a significant portion of the transactions with off-balance-sheet risk are entered into with other financial institutions. 25. COMMITMENTS AND CONTINGENT LIABILITIES The MTFG Group leases certain office space and equipment under noncancelable agreements expiring through the year 2015. Future minimum rental commitments for noncancelable leases at March 31, 2002 were as follows: Capitalized Operating Leases Leases ----------- ------------ (in millions) Year ending March 31: 2003................................ (Yen) 6,134 (Yen) 23,864 2004................................ 5,812 21,399 2005................................ 5,423 20,250 2006................................ 4,918 18,820 2007................................ 3,988 11,232 2008 and thereafter................. 4,089 48,272 ----------- ------------ Total minimum lease payments..... 30,364 (Yen)143,837 ============ Amount representing interest........... (1,948) ---------- Present value of minimum lease payments. (Yen)28,416 ========== Total rental expense for the years ended March 31, 2000, 2001 and 2002 was (Yen)52,524 million, (Yen)46,545 million and (Yen)47,610 million, respectively. The MTFG Group is involved in various litigation matters. In the opinion of management, the MTFG Group's liabilities, if any, when ultimately determined will not have a material adverse effect on the MTFG Group's financial position. F-60 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) 26. FEES AND COMMISSION INCOME Details of fees and commission income for the years ended March 31, 2000, 2001 and 2002 were as follows: 2000 2001 2002 ------------ ------------ ------------ (in millions) Trust fees... (Yen)106,183 (Yen)114,604 (Yen)123,645 Fees on funds transfer and service charges for collections 60,682 60,038 60,910 Commissions and fees on international business........... 37,089 51,354 53,469 Commissions and fees on credit card business............. 371 47,852 51,005 Service charges on deposits.............................. 19,681 22,672 29,791 Other fees and commissions............................... 145,150 162,883 173,044 ------------ ------------ ------------ Total.. (Yen)369,156 (Yen)459,403 (Yen)491,864 ============ ============ ============ 27. BUSINESS SEGMENTS MTFG conducts its business through its principal subsidiaries, BTM and Mitsubishi Trust, which have been granted substantial autonomy in conducting their business, and, therefore, management currently recognizes each of BTM and Mitsubishi Trust as a principal business segment of the MTFG Group. The business segment information of BTM and its subsidiaries ("BTM Group") and Mitsubishi Trust and its subsidiaries ("Mitsubishi Trust Group"), set forth below, is derived from the internal management reporting system used by management to measure the performance of the business segments. Unlike financial accounting, there is no authoritative body of guidance for management accounting. The business segment information, set forth below, is based on the financial information prepared in accordance with Japanese GAAP along with internal management accounting rules and practices. Accordingly, the format and information is presented primarily on the basis of Japanese GAAP and is not consistent with the consolidated financial statements prepared on the basis of US GAAP. A reconciliation is provided for the total amount of the both groups' segments' total operating profit with income (loss) before income tax expense or benefit under US GAAP. See Note 28 for financial information relating to the MTFG Group's operations by geographic area. The geographic financial information is consistent with the basis of the accompanying consolidated financial statements. BTM Group BTM Group is organized based on a business unit system as follows: .. The Retail Banking and Commercial Banking business units provide a full range of banking products and services for a broad range of customers. The Retail Banking business unit serves individuals and small corporate customers. The Commercial Banking business unit serves large and medium-sized corporations. .. The Global Corporate Banking business unit serves large corporations and some small and medium-sized companies, particularly those with banking needs outside of Japan, and overseas customers (except for UnionBanCal Corporation's customers). .. The Investment Banking business unit provides advisory and other services related to mergers and acquisitions (M&A), private and public securities offerings, project financing, derivatives and securitization and other investment banking activities. F-61 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) .. The Asset Management business unit is responsible for strategic planning and support, including planning and development of asset management products and services, and risk management of the unit's trust and asset management subsidiaries. .. The UNBC business unit is comprised of UnionBanCal Corporation, a publicly traded majority-owned U.S. banking subsidiary that is the holding company for Union Bank of California, N.A. .. The Operations Services unit provides operations and settlement services to BTM Group's other business units, including settlement and foreign exchange. .. The Treasury unit is responsible for BTM Group's asset and liability management and liquidity The financial performances of BTM Group's major business units, derived from the internal management reporting system, are summarized below. Management does not use information on segments' total assets to allocate resources and assess performance and has not prepared information on segment assets. Accordingly, business segments' information on total assets is also not available. Global Asset Retail Commercial Corporate Investment Manage- Operations Banking Banking Banking Banking ment UNBC Services ------------ ------------ ------------ ------------ ----------- ------------ ----------- (in millions) Year ended March 31, 2000: Net revenue: BTM: Net interest income... (Yen)199,182 (Yen)219,264 (Yen)127,086 (Yen) (8) (Yen)(5,297) (Yen) -- (Yen) 1,020 Net fees.............. 18,100 34,859 49,788 21,371 7,003 -- 3,465 Other................ 10,721 24,319 27,808 17,908 5,440 -- 1,090 BTM's subsidiaries..... 16,653 6,141 50,286 37,053 1,633 205,065 14,361 ------------ ------------ ------------ ------------ ----------- ------------ -----------

Total................ 244,656 284,583 254,968 76,324 8,779 205,065 19,936 Operating expenses....... 186,280 132,336 108,478 49,407 5,564 122,570 16,563 ------------ ------------ ------------ ------------ ----------- ------------ ----------- Operating profit......... (Yen) 58,376 (Yen)152,247 (Yen)146,490 (Yen) 26,917 (Yen) 3,215 (Yen) 82,495 (Yen) 3,373 ============ ============ ============ ============ =========== ============ =========== Year ended March 31, 2001: Net revenue: BTM: Net interest income... (Yen)197,587 (Yen)215,171 (Yen)133,659 (Yen) (1,934) (Yen)(4,443) (Yen) -- (Yen) 1,380 Net fees.............. 19,716 39,652 60,478 27,833 6,440 -- 3,572 Other................. 11,872 22,803 22,612 22,253 (2,255) -- 1,380 BTM's subsidiaries..... 72,276 9,047 53,850 46,141 9,046 256,225 16,040 ------------ ------------ ------------ ------------ ----------- ------------ ----------- Total................ 301,451 286,673 270,599 94,293 8,788 256,225 22,372 Operating expenses....... 231,343 130,453 124,491 72,112 12,737 131,869 18,107 ------------ ------------ ------------ ------------ ----------- ------------ ----------- Operating profit......... (Yen) 70,108 (Yen)156,220 (Yen)146,108 (Yen) 22,181 (Yen)(3,949) (Yen)124,356 (Yen) 4,265 ============ ============ ============ ============ =========== ============ =========== Year ended March 31, 2002: Net revenue: BTM: Net interest income... (Yen)176,297 (Yen)216,041 (Yen)136,872 (Yen) 3,941 (Yen) (361) (Yen) -- (Yen) 867 Net fees.............. 23,314 43,631 68,365 31,492 5,274 -- 3,988 Other................. 10,737 26,723 18,956 26,748 (4,915) -- 1,137 BTM's subsidiaries..... 72,787 11,342 57,887 52,357 8,943 295,898 15,458 ------------ ------------ ------------ ------------ ----------- ------------ ----------- Total................ 283,135 297,737 282,080 114,538 8,941 295,898 21,450 Operating expenses..... 230,602 126,834 134,559 72,577 13,884 163,641 17,635 ------------ ------------ ------------ ------------ ----------- ------------ ----------- Operating profit....... (Yen) 52,533 (Yen)170,903 (Yen)147,521 (Yen) 41,961 (Yen)(4,943) (Yen)132,257 (Yen) 3,815 ============ ============ ============ ============ =========== ============ =========== Treasury Other* Total ------------ ------------- -------------- Year ended March 31, 2000: Net revenue: BTM: Net interest income... (Yen)150,733 (Yen) (33,825) (Yen) 658,155 Net fees.............. (2,057) (30,797) 101,732 Other................. (8,995) 3,172 81,463 BTM's subsidiaries..... 751 8,594 340,537 ------------ ------------- -------------- Total................ 140,432 (52,856) 1,181,887 Operating expenses....... 21,982 37,223 680,403 ------------ ------------- -------------- Operating profit......... (Yen)118,450 (Yen) (90,079) (Yen) 501,484 ============ ============= ============== Year ended March 31, 2001: Net revenue: BTM: Net interest income... (Yen) 60,507 (Yen) (42,988) (Yen) 558,939 Net fees.............. (2,924) (35,577) 119,190 Other................. 46,047 43,014 167,726 BTM's subsidiaries..... 1,500 8,432 472,557 ------------ ------------- -------------- Total................ 105,130 (27,119) 1,318,412 Operating expenses....... 23,211 146,766 891,089 ------------ ------------- -------------- Operating profit......... (Yen) 81,919 (Yen)(173,885) (Yen) 427,323 ============ ============= ============== Year ended March 31, 2002: Net revenue: BTM: Net interest income... (Yen)152,008 (Yen) (21,416) (Yen) 664,249 Net fees.............. (5,009) (40,522) 130,533 Other................. 57,811 (4,960) 132,237 BTM's subsidiaries..... 2,265 8,571 525,508 ------------ ------------- -------------- Total................ 207,075 (58,327) 1,452,527 Operating expenses..... 28,370 57,001 845,103 ------------ ------------- -------------- Operating profit....... (Yen)178,705 (Yen)(115,328) (Yen) 607,424 ============ ============= ============== -------- * Other includes the Systems Services unit, the e-Business & Initiatives unit, and the Corporate Center and eliminates overlapping allocation. F-62 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Management measures performance of each business unit by "operating profit", which includes profits or losses of BTM's subsidiaries. Financial information of each BTM's subsidiary is assigned to only one business unit, based on its major products or services provided and its major type of customers. "Operating profit" is a defined term in BTM's regulatory reporting to the Financial Services Agency. "Net revenue" above includes net interest income, net fees (that is, fees and commissions received, net of fees paid and other related expenses), and other gains, such as net trading gains, net foreign exchange gains, and net gains from sales of debt investment securities measured under Japanese GAAP. Interest income and expenses between business units are determined using an internal transfer pricing system, based on current market rates. "Operating expenses" include salaries and employee benefits, occupancy and certain other non-interest expenses. In determining operating profit, BTM Group does not assign to each business unit certain income and expense items such as specific provisions for loan loss reserve, equity investment securities gains or losses, minority interest in earnings or losses of BTM's subsidiaries, equity in earnings or losses of BTM's affiliated companies, goodwill amortization and impairment, net gains or losses from disposition of premises and equipment, and other certain non-interest income and expense items. Frequently, the business units work together in connection with providing services to customers. In accordance with BTM Group's internal management accounting policies, BTM Group does not apportion the net revenue relating to a particular transaction among the participating business units. Instead, BTM Group assigns the total amount of net revenue relating to each of these transactions to each participating business unit. As a result, some items of net revenue are recorded as part of the operating results of more than one business unit. Any overlapping allocations are eliminated in the "Other" column. The following is the summary of the aggregate amounts of this overlapping allocation of net revenue for the business units for the years ended March 31, 2000, 2001 and 2002. Global Total Retail Commercial Corporate Asset Amount Banking Banking Banking Management Eliminated -------- ---------- ----------- ---------- ----------- (in millions) Year ended March 31, 2000: Investment banking...... (Yen) -- (Yen)3,823 (Yen)21,785 (Yen)629 (Yen)26,237 Year ended March 31, 2001: Investment banking...... 3 5,606 28,005 538 34,152 Year ended March 31, 2002: Investment banking...... -- 7,837 30,157 -- 37,994 On April 2, 2001, NTB became a wholly owned subsidiary of MTFG and has been excluded from BTM's consolidation. On October 1, 2001, NTB and TTB merged with and into Mitsubishi Trust and, accordingly, BTM's segment internal management reports do not include the financial performance of NTB and TTB subsequent to the merger. Their post-merger financial performance is reflected in Mitsubishi Trust's segment information. BTM's segment information for the years ended March 31, 2000 and 2001 has been restated to reflect the exclusion of NTB and TTB from its consolidation. NTB's operation principally includes pension trust services, securities operations, real estate services, property management services, and stock transfer agency services. TTB's principal business includes securities lending transactions, asset securitizations and other financial securities. The following is a summary of financial performance of NTB and TTB for the years ended March 31, 2000 and 2001 and the six months ended September 30, 2001, derived from the internal management systems of these banks without any adjustments. F-63 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Years Ended March 31, Six Months Ended ---------------------- September 30, 2000 2001 2001 ----------- ----------- ---------------- (in millions) Net revenue....... (Yen)40,891 (Yen)37,020 (Yen)12,100 Operating expenses 26,298 20,210 14,341 ----------- ----------- ----------- Operating profit.. (Yen)14,593 (Yen)16,810 (Yen)(2,241) =========== ========== =========== Mitsubishi Trust Group Effective April 1, 2001, Mitsubishi Trust reorganized its business group structure and redefined functions and activities performed by each of its operating groups; Trust-Banking, Trust Assets, Real Estate and Global Markets. In addition, Mitsubishi Trust includes the financial performance of subsidiaries in its internal management reporting for the year ended March 31, 2002. Due to merger of NTB and TTB on October 1, 2001, only the financial performance of NTB and TTB for the second half of the year ended March 31, 2002 are reflected on Mitsubishi Trust's business segment information. .. The Trust-Banking business group provides a full range of commercial banking products and services to corporations, institutional investors, public organizations and individual customers. It serves the corporate customers by providing financial products to meet the customers' short- and long-term asset management and fund-raising objectives. It also provides retail customers with investment and other products for the creation of wealth. The Trust-Banking business group also manages loan portfolios associated with certain jointly operated designated money trusts such as loan trusts. A jointly operated designated money trust manages pooled funds collected from individual investors for investment returns. A loan trust is a type of jointly operated designated money trust primarily investing in long-term commercial loans. Other services provided by the Trust-Banking business group include stock transfer agency services. Mitsubishi Trust offers agency services for the transfer of the title of stocks and related advisory services. .. The Trust Assets business group covers fiduciary asset management and administration services. In line with fiduciary asset management services, Mitsubishi Trust takes charge of corporate pensions, public pensions, public sector funds, individual funds and certain other funds, based on the customers' needs. Actuarial and other pension-related consulting services are provided. In the asset administration service, a broad range of custodial services is also provided to corporations, institutional investors and other customers. .. The Real Estate business group offers real estate services including brokerage of real estate purchases, sale and leasing transactions, advising customers of how to optimize the strategic use of their real estate assets, and offering real estate trust products, such as management, disposal and land trusts. Mitsubishi Trust employs highly qualified experts from a number of property-related fields to execute its real estate business, ranging from real estate agents and licensed real estate appraisers to architects and real estate financing transaction specialists. .. 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, through the network of foreign branches and subsidiaries in the Americas, Europe and Asia. The Global Markets business group also manages investment securities portfolios and placements of excess funds associated with certain jointly operated designated money trusts. The financial performance of the Mitsubishi Trust Group's business groups, derived from the internal management reporting system, is summarized below. Business segment information for the years ended March 31, 2000 and 2001 has been restated to reflect changes in group structure and inclusion of subsidiary information discussed above. However, it is not practicable to restate business segment information for the years ended F-64 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) March 31, 2000 and 2001 to reflect the effect of merger of NTB and TTB because the differences in the policy and process of compiling and summarizing segment information between Mitsubishi Trust and NTB and TTB have made impractical the precise and reasonable allocation of financial performance of NTB and TTB to each of the Mitsubishi Trust's business groups. Management does not use information on segments' total assets to allocate resources and assess performance, and has not prepared information on segment assets. Accordingly, business segments' information on total assets is not available. Trust-Global Banking Trust Assets Real Estate Markets Other* Total ------------ ------------ ----------- ------------ ----------- ------------ (in millions) Year ended March 31, 2000: Mitsubishi Trust: Net revenue: Net interest income...................... (Yen) 69,429 (Yen) -- (Yen) -- (Yen) 65,243 (Yen) 8,243 (Yen)142,915 Fees on jointly operated designated money trusts........................... 25,668 -- -- 33,513 21,160 80,341 Other fees.............................. 17,364 49,996 8,991 (129) -- 76,222 Other.................................. 312 -- -- 22,044 (210) 22,146 ------------ ----------- ----------- ------------ ----------- ------------ Total................................ 112,773 49,996 8,991 120,671 29,193 321,624 Operating expenses.......................... 68,190 28,872 6,728 16,725 23,336 143,851 Mitsubishi Trust's subsidiaries............ -- -- -- -- 6,045 6,045 ------------ ----------- ----------- ------------ ----------- ------------ Operating profit............................ (Yen) 44,583 (Yen)21,124 (Yen) 2,263 (Yen)103,946 (Yen)11,902 (Yen)183,818 ============ =========== =========== ============ =========== ============ Year ended March 31, 2001: Mitsubishi Trust: Net revenue: Net interest income...................... (Yen) 75,848 (Yen) -- (Yen) -- (Yen) 59,255 (Yen)15,069 (Yen)150,172 Fees on jointly operated designated money trusts........................... 19,163 -- -- 32,415 14,612 66,190 Other fees.............................. 19,380 49,904 12,004 287 -- 81,575 Other.................................. 213 -- -- 9,140 350 9,703 ------------ ----------- ----------- ------------ ----------- ------------ Total................................ 114,604 49,904 12,004 101,097 30,031 307,640 Operating expenses.......................... 67,654 26,796 6,316 16,587 27,212 144,565 Mitsubishi Trust's subsidiaries............ -- -- -- -- 3,003 3,003 ------------ ----------- ----------- ------------ ----------- ------------ Operating profit............................ (Yen) 46,950 (Yen)23,108 (Yen) 5,688 (Yen) 84,510 (Yen) 5,822 (Yen)166,078 ============ =========== =========== ============ =========== ============ Year ended March 31, 2002: Mitsubishi Trust: Net revenue: Net interest income...................... (Yen) 72,706 (Yen) -- (Yen) -- (Yen) 96,072 (Yen)10,711 (Yen)179,489 Fees on jointly operated designated money trusts........................... 16,563 -- -- 27,910 17,016 61,489 Other fees.............................. 27,017 54,334 11,683 (3,306) -- 89,728 Other.................................. 105 -- -- (14,768) (50) (14,713) ------------ ----------- ----------- ------------ ----------- ------------ Total................................ 116,391 54,334 11,683 105,908 27,677 315,993 Operating expenses.......................... 69,139 33,249 8,083 17,858 31,421 159,750 Mitsubishi Trust's subsidiaries............ -- -- -- -- (293) (293) ------------ ----------- ----------- ------------ ----------- ------------ Operating profit............................ (Yen) 47,252 (Yen)21,085 (Yen) 3,600 (Yen) 88,050 (Yen)(4,037) (Yen)155,950 ============ =========== =========== ============ =========== ============ -------- * Other includes certain divisions of the corporate headquarters (e.g., personnel and planning) and adjustments. F-65 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Management measures performance of each business group by "operating profit". "Operating profit" is a defined term in Mitsubishi Trust's regulatory reporting to the Financial Services Agency. The financial performance of subsidiaries are measured by ordinary profit or loss derived from the financial statements of Mitsubishi Trust's subsidiaries. Because of limited significance of subsidiary operations, Mitsubishi Trust does not assign the subsidiary financial performances to business groups and manage them on an aggregate basis. "Net revenue" above includes net interest income, net fees (that is, fees and commissions received, net of fees paid and other related expenses), and other gains, such as net trading gains, net foreign exchange gains, and net gains from sales of investment debt securities measured under Japanese GAAP. "Operating expenses" include salaries and employee benefits, occupancy and certain other non-interest expenses. In determining operating profit, the Mitsubishi Trust Group does not assign to each business group certain income and expense items such as provisions for loan loss reserve, equity investment securities gains or losses, minority interest in earnings or losses of Mitsubishi Trust's subsidiaries, equity in earnings or losses of

Mitsubishi Trust's affiliated companies, goodwill amortization and impairment, net gains or losses from disposition of premises and equipment, and other certain non-interest income and expense items. "Fees on jointly operated designated money trusts" include trust fees, accounted for on a cash basis, which are associated with loan trusts and other types of jointly operated designated money in trusts, including certain money trusts with guarantee for repayment of principal. The amounts assigned to the Trust-Banking business group are fees associated with the return on lending activities and the amounts assigned to the Global Markets business group are fees resulting from the management of investment securities included in the trust accounts. Amounts of write-downs for trust assets recorded within each trust account, which eventually reduce the trust fees to be recognized in Mitsubishi Trust's financial statements, are excluded from the business group's performance measure on jointly operated designated money trusts, and the fee amounts are before provision for write-downs of individual investments. Such write-downs, recognized within each trust, are shown in the reconciliations of the business segments' total operating profit to income or loss before income tax expense or benefit. Fees on such trusts are determined at the end of respective accounting periods of individual trust accounts and Mitsubishi Trust recognizes such fees, on a cash basis, in its Japanese GAAP financial statements. For measuring the performance of the Trust-Banking and Global Markets business groups, Mitsubishi Trust focuses on the results of performance during the term corresponding to the fiscal period. Since the trust accounting periods do not necessarily correspond with Mitsubishi Trust's fiscal period, fee amounts shown in the Japanese GAAP financial statements do not meet the objective of management reporting without certain adjustments. Accordingly, Mitsubishi Trust allocates amounts to the business group to show the fee amounts that would have been earned, on an accrual basis, if each trust accounting period have corresponded with Mitsubishi Trust's fiscal period. "Other fees" include trust fees other than fees on certain jointly operated designated money trusts, such as retirement benefit trusts and securities-related trust, including specified money trust and independently operated designated money trust, and fiduciary and custodial services related to asset management and administration. Fees and commissions on securitizations, stock transfer agency services and real estate business are also included in this line. "Net revenue" included in the "Other" column includes interest and dividends on certain investment securities held for relationship management. "Fees on jointly operated designated money trusts" under " Other" include the amounts representing the recoveries of trust assets previously written off and reversal of the statutory reserve, both of which are accounted for as a reduction of the trust fees. Also, included in the amounts under "Other" are the adjustments for the amounts of the Trust-Banking business group based on Mitsubishi Trust's fiscal period to the segments' total amounts, which are determined, based on the accounting periods of the trust accounts. F-66 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Reconciliation As set forth above, the measurement bases and the income and expenses items covered are very different between the internal management reporting system and the accompanying consolidated statements of operations. Therefore, it is impracticable to present reconciliations of the business segments' total information, other than operating profit, to corresponding items in the accompanying consolidated statements of operations. Reconciliations of the total amount of the both Groups' segments' total operating profit under the internal management reporting system for the years ended March 31, 2000, 2001 and 2002 above to income or loss before income tax expense or benefit shown on the consolidated statements of operations are as follows: 2000 2001 2002 --------- --------- --------- (in billions) Operating profit: BTM.. (Yen) 501 (Yen) 427 (Yen) 607 Mitsubishi Trust................................... 184 166 156 --------- --------- --------- Total.. 685 593 763 Trust fees adjusted for write-downs of trust assets. (60) (37) (19) Provision for credit losses......................... (368) (688) (580) Trading account profit (loss)....................... (181) 96 12 Equity investment securities gains (losses)--net.... 100 169 (23) Foreign exchange gains (losses)--net................ 88 (73) (275) Losses on other real estate owned................... (70) (16) (6) Goodwill amortization............................... (3) (4) (8) Minority interest.................................. (16) (20) (22) Other--net.. (172) (16) (166) --------- --------- --------- Income (loss) before income tax expense (benefit)...... (Yen) 3 (Yen) 4 (Yen)(324) ========= ========= ========= 28. FOREIGN ACTIVITIES Foreign operations include the business conducted by overseas offices, as well as international business conducted from domestic offices, principally several international banking-related divisions of BTM's and Mitsubishi Trust's Head Office in Tokyo and involve various transactions with debtors and customers residing outside Japan. Close integration of the MTFG Group's foreign and domestic activities makes precise estimates of the amounts of assets, liabilities, income and expenses attributable to foreign operations difficult and necessarily subjective. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domiciles of the debtors and customers. Generally, interest rates with respect to funds borrowed and loaned between domestic and foreign operations are based on prevailing money market rates appropriate for the transactions. In general, the MTFG Group has allocated all direct expenses and a proportionate share of general and administrative expenses to income derived from foreign loans and other transactions by the MTFG Group's foreign operations. The following table sets forth estimated total assets at March 31, 2000, 2001 and 2002, and estimated gross revenue, total expenses, income or loss before income tax expense or benefit and net income or loss for the respective years then ended. F-67 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Domestic Foreign -------------- -- United States of Asia/Oceania Other Japan America Europe Excluding Japan Areas* -------------- -------------- ------------- -------------- ------------- (in millions) Year ended March 31, 2000: Total revenue.......................... (Yen) 1,491,063 (Yen) 606,245 (Yen) 187,728 (Yen) 237,083 (Yen) 163,416 Total expenses......................... 1,536,170 573,106 295,939 171,653 106,049 Income (loss) before income tax expense or benefit............................ (45,107) 33,139 (108,211) 65,430 57,367 Net income (loss)...................... (33,359) (8,754) (113,921) 53,895 54,597 Total assets at end of year............ 65,749,190 9,279,498 4,448,318 3,497,869 2,021,125 Year ended March 31, 2001: Total revenue.......................... 1,605,832 759,958 411,683 256,602 204,723 Total expenses......................... 1,950,675 671,420 298,086 172,512 142,516 Income (loss) before income tax expense or benefit............................ (344,843) 88,538 113,597 84,090 62,207 Net income (loss)...................... (362,280) 58,104 111,950 72,011 61,041 Total assets at end of year............ 68,251,884 11,890,868 7,333,229 3,408,333 2,604,636 Year ended March 31, 2002: Total revenue.......................... 1,258,746 701,739 364,926 259,934 132,357 Total expenses......................... 1,645,897 733,180 356,406 215,119 91,333 Income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle......... (387,151) (31,441) 8,520 44,815 41,024 Net income (loss)...................... (236,546) (57,036) 4,131 34,984 37,933 Total assets at end of year............ 69,162,382 12,346,379 6,668,616 3,297,980 2,889,757 Total -------------- Year ended March 31, 2000: Total revenue.......................... (Yen) 2,685,535 Total expenses......................... 2,682,917 Income (loss) before income tax expense or benefit............................ 2,618 Net income (loss)...................... (47,542) Total assets at end of year............ 84,996,000 Year ended March 31, 2001: Total revenue.......................... 3,238,798 Total expenses......................... 3,235,209 Income (loss) before income tax expense or benefit............................ 3,589 Net income (loss)...................... (59,174) Total assets at end of year............ 93,488,950 Year ended March 31, 2002: Total revenue.......................... 2,717,702 Total expenses......................... 3,041,935 Income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle......... (324,233) Net income (loss)...................... (216,534) Total assets at end of year............ 94,365,114 -------- * Other Areas primarily include Canada, Latin America and the Caribbean. The following is an analysis of certain asset and liability accounts related to foreign activities at March 31, 2001 and 2002: 2001 2002 -------------- -------------- (in millions) Cash and due from banks.. (Yen) 502,337 (Yen) 251,135 Interest-earning deposits in other banks....................................... 2,796,979 2,641,903 -------------- -------------- Total.. (Yen) 3,299,316 (Yen) 2,893,038 ============== ============== Trading account assets.. (Yen) 2,432,219 (Yen) 1,868,779 ============== ============== Investment securities... (Yen) 5,555,952 (Yen) 5,937,177 ============== ============== Loans--net of unearned income and deferred loan fees........................... (Yen)11,062,646 (Yen)11,668,017 ============== ============== Deposits, principally time deposits and certificates of deposit by foreign banks (Yen)14,156,784 (Yen)11,791,971 ============== ============== Funds borrowed: Call money, funds purchased, and receivables under repurchase agreements and securities lending transactions...................................... (Yen) 1,993,420 (Yen) 2,429,634 Other short-term borrowings... 442,558 622,414 Long-term debt... 2,120,321 1,833,252 -------------- -------------- Total.. (Yen) 4,556,299 (Yen) 4,885,300 ============== ============== Trading account liabilities... (Yen) 2,229,001 (Yen) 1,456,605 ============== ============== F-68 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The MTFG Group had no cross-border outstandings, as defined in the Securities Act Industry Guides 3, in any foreign country, which exceeded 0.75% of consolidated total assets at March 31, 2001, and 2002. 29. ESTIMATED FAIR VALUE OF

FINANCIAL INSTRUMENTS Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments and, therefore, fair values for such financial instruments are estimated using discounted cash flow models or other valuation techniques. Although management uses its best judgment in estimating fair values of financial instruments, estimation methodologies and assumptions used to estimate fair values are inherently subjective. Accordingly, the estimates presented herein are not necessarily indicative of net realizable or liquidation values. The use of different estimation methodologies and/or market assumptions may have a significant effect on the estimated fair values. The estimated fair values of financial instruments do not include valuations of related intangible assets such as core deposits. The following is a summary of carrying amounts and estimated fair values of financial instruments at March 31, 2001 and 2002: 2001 2002 ---------------------- ---------------------- Carrying Estimated Carrying Estimated Amount Fair Value Amount Fair Value ----------- ----------- ----------- ----------- (in billions) Financial assets: Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions... (Yen)12,940 (Yen)12,940 (Yen)10,867 (Yen)10,867 Trading account assets, excluding derivatives................. 3,979 3,979 5,020 5,020 Investment securities... 22,037 22,052 23,555 23,568 Loans, net of allowance for credit losses..................... 47,954 48,238 48,495 48,741 Other financial assets.. 1,417 1,417 2,524 2,524 Derivative financial instruments: Trading activities....................................... 3,164 3,164 2,478 2,478 Activities qualifying for hedges.......................... 5 31 13 13 Financial liabilities: Non-interest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions....................................... 13,287 13,287 14,501 14,501 Interest-bearing deposits.................................... 55,546 55,689 58,402 58,416 Debentures... 3,404 3,438 2,269 2,280 Trading account liabilities, excluding derivatives............ 1,451 1,451 177 177 Obligations to return securities received as collateral........ 296 296 316 316 Due to trust account.. 3,673 3,673 2,282 2,282 Other short-term borrowings.................................. 2,130 2,130 3,319 3,319 Long-term debt.. 4,963 5,158 5,184 5,340 Other financial liabilities................................... 2,286 2,286 2,603 2,603 Derivative financial instruments:............................. Trading activities....................................... 2,621 2,621 2,319 2,319 Activities qualifying for hedges.......................... 4 17 2 2 F-69 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The methodologies and assumptions used to estimate the fair value of the financial instruments are summarized below. Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions--For cash, due from banks including interest-earning deposits, and call loans and funds sold, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature and limited credit risk. For receivables under resale agreements and securities borrowing transactions, the fair values are based on quoted market prices, when available, or estimated with reference to quoted market prices for similar instruments when quoted market prices are not available. Trading account securities--Trading securities and short trading positions of securities are carried at fair value, which is principally based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Investment securities--The fair values of investment securities, where quoted market prices or secondary market prices are available, are equal to such market prices. For investment securities, when quoted market prices or secondary market prices are not available, the fair values are estimated using quoted market prices for similar securities or based on appraised value as deemed appropriate by management. The fair value of investment securities other than those classified neither available for sale nor being held to maturity (i.e., nonmarketable equity securities) at March 31, 2001 and 2002 were not readily determinable. Therefore, the above summary does not include the carrying amounts of such investment securities amounting to (Yen)169 billion and (Yen)129 billion at March 31, 2001 and 2002, respectively. Loans--The fair values of loans are estimated for groups of similar loans based on type of loan, credit quality and remaining maturity. In incorporating the credit risk factor, management concluded that the allowance for credit losses adequately adjusts the related book values for credit risk. For floating- or adjustable-rate loans, which mature or reprice within a short period of time, the carrying values are considered to be a reasonable estimate of fair values. For fixed-rate loans, market prices are not generally available and the fair values are estimated by discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates corresponding to the applicable maturity. Where market prices are available, primarily for loans to refinancing countries and certain other foreign loans, the fair values are based on such market prices, including secondary market prices. For non-performing loans, the fair values are generally determined on an individual basis by discounting the estimated future cash flows and may be based on the appraisal value of underlying collateral as appropriate. Other financial assets--The estimated fair values of other financial assets, which primarily include accrued interest receivable, customers' acceptance liabilities and accounts receivable, approximate their carrying amounts. Derivative financial instruments--The estimated fair values of derivative financial instruments are the amounts the MTFG Group would receive or pay to terminate the contracts at the balance-sheet date, taking into account the current unrealized gains or losses on open contracts. They are based on market or dealer quotes when available. Valuation models such as present value and option pricing models are applied to current market information to estimate fair values when such quotes are not available. Non-interest-bearing deposits, call money and funds purchased, payables under repurchase agreements and securities lending transactions, and obligations to return securities received as collateral--The fair values of non-interest-bearing deposits are equal to the amounts payable on demand. For call money and funds purchased, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature. F-70 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) For payables under repurchase agreements and securities lending transactions and obligations to return securities received as collateral, the fair values are generally based on quoted market prices, when available, or estimated using quoted market prices for similar instruments when quoted market prices are not available. Interest-bearing deposits--The fair values of demand deposits, deposits at notice, and certificates of deposit maturing within a short period of time are the amounts payable on demand. Fair values of time deposits and certificates of deposit maturing after a short period of time are estimated by discounting the estimated cash flows using the rates currently offered for deposits of similar remaining maturities or the applicable current market rates. Debentures--The fair values of debentures are estimated using a discounted cash flow model based on quoted market rates or, if available, secondary market rates currently available for debentures with similar terms and remaining maturities. Due to trust account--For due to trust account, which reflects a temporary placement of excess fund from individual trust accounts managed by the trust banking subsidiary in their fiduciary and trust capacity, the carrying amount is a reasonable estimate of the fair value due to its nature similar to short-term funding, including demand deposits and other overnight funds purchased, in a manner that the balance changes in response to the day-to-day changes in excess funds placed by the trust accounts. Other short-term borrowings--For most other short-term borrowings, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature. For certain borrowings, fair values are estimated by discounting the estimated future cash flows using applicable current market interest rates or comparable rates for similar instruments, which represent the MTFG Group's cost to raise funds with a similar remaining maturity. Long-term debt--For convertible bonds and certain subordinated debt, the fair values are estimated based on quoted market prices of the instruments. The fair value of other long-term debt are estimated using a discounted cash flow model based on rates applicable to the MTFG Group for debt with similar terms and remaining maturities. Other financial liabilities--The estimated fair values of other financial liabilities, which primarily include accrued interest payable, bank acceptances and accounts payable, approximate their carrying amounts. The fair values of certain off-balanced-sheet credit-related financial instruments held for purposes other than trading, including commitments to extend credit, guarantee for repayment of trust principal, standby letters of credit and guaranties and commercial letters of credit, are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the credit quality. The aggregate fair value of such instruments at March 31, 2001 and 2002 was not material. The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2001 and 2002. These amounts have not been comprehensively revalued since that date and, therefore, current estimates of fair values may have changed significantly from the amounts presented herein. 30. UNBC MANAGEMENT STOCK PLAN UNBC has two management stock plans. The Year 2000 UnionBanCal Corporation Stock Plan, effective January 1, 2000 (the "2000 Stock Plan"), and the UnionBanCal Corporation Management Stock Plan, restated effective June 1, 1997 (the "1997 Stock Plan"), have 10.0 million and 6.6 million shares, respectively, of UNBC's common stock authorized to be awarded to key employees and outside directors of UNBC at the F-71 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) discretion of the Executive Compensation and Benefits Committee of UNBC's Board of Directors (the "Committee"). Employees on rotational assignment from BTM are not eligible for stock awards. The Committee determines the term of each stock option grant, up to a maximum of ten years from the date of grant. The exercise price of the options issued under the Stock Plan shall not be less than the fair market value on the date the option is granted. Unvested restricted stock issued under the Stock Plan is shown as a reduction to retained earnings in UNBC's financial statements. The value of the restricted shares at the date of grant is amortized to compensation expense over its vesting period. All cancelled or forfeited options and restricted stock become available for future grants. In 1999, 2000 and 2001, UNBC granted options to non-employee directors and various key employees, including policy-making officers under the 1997 and 2000 Stock Plans. Under both Stock Plans, options granted to employees vest pro-rata on each anniversary of the grant date and become fully exercisable three years from the grant date, provided that the employee has completed the specified continuous service requirement. The options vest earlier if the employee dies, is permanently disabled, or retires under certain grant, age, and service conditions. Options granted to non-employee directors are fully vested on the grant date and exercisable 33 1/3 percent on each anniversary under the 1997 Stock Plan, and fully vested and exercisable on the grant date under the 2000 Stock Plan. The following is a summary of stock option transactions under the Stock Plans. Years Ended December 31, - --- 1999 2000 2001 -------------------------- -------------------------- -------------------------- Number of Weighted-Average Number Weighted-Average Number of Weighted-Average Shares Exercise Price of Shares Exercise Price Shares Exercise Price --------- --------------- --------- --------------- --------- --------------- Options outstanding, beginning of year. 1,740,081 $21.47 3,281,273 $28.46 5,191,899 $28.47 Granted............ 1,747,750 34.31 2,126,506 27.99 3,448,242 30.03 Exercised.......... (157,007) 14.65 (98,004) 13.18 (557,597) 19.02 Forfeited.......... (49,551) 33.04 (117,876) 32.04 (143,273) 29.91 --------- --------- --------- Options outstanding, end of year....... 3,281,273 $28.46 5,191,899 $28.47 7,939,271 $29.79 ========= ========= ========= Options exercisable, end of year....... 1,266,976 $20.01 2,135,228 $25.90 3,009,555 $29.53 ========= ========= ========= The weighted-average fair value of options granted was $9.77 during 1999, $10.21 during 2000, and $10.38 during 2001. The following table summarizes information about stock options outstanding. Options Exercisable at Options Outstanding at December 31, 2001 December 31, 2001 --- --------------------------- Weighted-Average Range of Exercise Number Remaining Weighted-Average Number Weighted-Average Prices Outstanding Contractual Life Exercise Price Exercisable Exercise Price ------ ----------- --------------- --------------- ---------- ---------------- $ 8.92 - 12.83 189,601 2.4 years $10.99 189,601 $10.99 18.29 - 25.00 558,381 4.7 21.55 479,191 21.26 27.56 - 37.96 7,168,289 7.9 30.88 2,325,431 32.65 44.56 - 44.56 23,000 7.9 44.56 15,332 44.56 --------- --------- 7,939,271 3,009,555 ========= ========= F-72 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) In 1999, 2000, and 2001, UNBC also granted 1,050, 13,500 and 6,000 shares, respectively, of restricted stock to key officers, including policy-making officers, under the Stock Plan. The awards of restricted stock vest pro rata on each anniversary of the grant date and become fully vested four years from the grant date, provided that the employee has completed the specified continuos service requirement. They vest earlier if the employee dies, is permanently and totally disabled, or retires under certain grant, age, and service conditions. Restricted shareholders have the right to vote their restricted shares and receive dividends. The following is a summary of restricted stock transactions under the Stock Plan. Years Ended December 31, - --- 1999 2000 2001 -------------------------- -------------------------- -------------------------- Weighted-Average Weighted-Average Weighted-Average Number of Grant Date Fair Number Grant Date Fair Number Grant Date Fair Shares Value of Shares Value of Shares Value --------- --------------- --------- --------------- --------- ---------------- Restricted stock awards outstanding, beginning of year.. 1,504,302 $14.12 1,496,106 $14.05 1,506,162 $14.11 Granted............. 1,050 32.88 13,500 25.00 6,000 37.10 Cancelled........... (9,246) 27.60 (3,444) 31.66 (636) 37.47 --------- --------- --------- Restricted stock awards outstanding, end of year........ 1,496,106 $14.05 1,506,162 $14.11 1,511,526 $14.19 ========= ========= ========= Restricted stock awards vested, end of year............ 1,290,900 $11.84 1,408,696 $13.00 1,469,354 $13.66 ========= ========= ========= At December 31, 1999, 2000 and 2001, 989,811, 8,969,424 and 5,659,091 shares, respectively, were available for future grants as either stock options or restricted stock under the Stock Plan. UNBC follows the intrinsic value based method prescribed in Accounting Principle Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations in accounting for its employee stock-based compensation plan. Accordingly, no compensation cost has been recognized for its stock option grants. Had compensation cost for UNBC's stock-based plan been determined based on the fair value at the grant dates for awards under that plan consistent with the method of SFAS No. 123, "Accounting for Stock-Based Compensation", UNBC's net income and net income per share would have decreased to the pro forma amounts indicated in the following table. Years Ended December 31, - ------------------------- (Dollars in thousands, except per share data) 1999 2000 2001 -- -------- -------- -------- Net income As reported $441,731 $439,900 $481,428 Pro forma 435,766 429,730 464,750 Net income per share--basic As reported $ 2.65 $ 2.72 $ 3.05 Pro forma 2.62 2.66 2.94 Net income per share--diluted As reported $ 2.64 $ 2.72 $ 3.04 Pro forma 2.61 2.65 2.93 F-73 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants made in 1999, 2000 and 2001; risk-free interest rates of 5.2 percent in 1999, 6.4 percent in 2000, and 4.9 percent in 2001; expected volatility of 30 percent in 1999, 44 percent in 2000, and 45 percent in 2001; expected lives of 5 years for 1999, 2000, and 2001; and expected dividend yields of 2.2 percent in 1999, 3.5 percent in 2000, and 3.4 percent in 2001. Effective January 1, 1997, UNBC established a Performance Share Plan. Eligible participants may earn performance share awards to be redeemed in cash three years after the date of grant. Performance shares are linked to shareholder value in two ways: (1) the market price of UNBC's common stock, and (2) return on equity, a performance measure closely linked to value creation. Eligible participants generally receive grants of performance shares annually. The total number of performance shares granted under the plan cannot exceed 600,000. UNBC granted 22,000 shares in 1999, 31,500 shares in 2000, and 68,000 shares in 2001. No performance shares were forfeited in either 1999 or in 2000. In 2001, 9,000 performance shares were forfeited. The value of a performance share is equal to the market price of UNBC's common stock. All cancelled or forfeited performance shares become available for future grants. When the stock option is exercised, the MTFG Group accounts for a decrease in its ownership as a sale of a portion of its investment in UNBC, and the resulting gains or losses are recognized in earnings. 31. PARENT COMPANY ONLY FINANCIAL INFORMATION Distributions of retained earnings of BTM and Mitsubishi Trust are restricted in order to meet the minimum capital adequacy requirements under the Banking Law. Also, retained earnings of these banking subsidiaries are restricted in accordance with the statutory reserve requirements under the Code (see Note 21). The following table presents the parent company only financial information of MTFG for the years ended March 31, 2002. Condensed balance sheets 2001 2002 ------------- ------------- (in millions) Assets: Cash and interest-earning deposits with banks...... (Yen) -- (Yen) 39,212 Investments in subsidiaries....................... 3,201,578 2,573,874 Investments in convertible bonds of a subsidiary... -- 266,417 Other assets...................................... -- 19,883 ------------- ------------- Total assets.................................. (Yen)3,201,578 (Yen)2,899,386 ============= ============= Liabilities and shareholders' equity: Convertible bonds................................. (Yen) -- (Yen) 266,417 Other liabilities................................. -- 6,472 ------------- ------------- Total liabilities................................. -- 272,889 ------------- ------------- Shareholders' equity................................ 3,201,578 2,626,497 ------------- ------------- Total liabilities and shareholders' equity..... (Yen)3,201,578 (Yen)2,899,386 ============= ============= F-74 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) Condensed Statements of Operations 2000 2001 2002 ----------- ----------- ------------ (in millions) Income: Dividends from subsidiaries................. (Yen) -- (Yen) -- (Yen) 67,523 Management fees from subsidiaries........... -- -- 4,967 Interest income............................. -- -- 7,145 Other income................................ -- -- 191 ----------- ----------- ------------ Total income.................................. -- -- 79,826 ----------- ----------- ------------ Expense: Operating expenses.......................... -- -- 5,426 Interest expense............................ -- -- 7,166 Other expense............................... -- -- 49 ----------- ----------- ------------ Total expense........................... -- -- 12,641 ----------- ----------- ------------ Equity in undistributed net loss of subsidiaries (47,542) (59,174) (283,855) ----------- ----------- ------------ Loss before income tax benefit................. (47,542) (59,174) (216,670) Income tax benefit............................. -- -- (136) ----------- ----------- ------------ Net loss...................................... (Yen)(47,542) (Yen)(59,174) (Yen)(216,534) =========== =========== ============ Condensed Statement of Cash Flows 2002 ------------ (in millions) Operating activities: Net loss... (Yen)(216,534) Adjustments and other.............................. 283,365 ------------ Net cash provided by operating activities.............. 66,831 ------------ Investing activities: Net increase in interest-earning deposits with banks. (38,700) Purchase of equity investment in a subsidiary........ (12,827) Other.. (14,639) ------------ Net cash used in investing activities.................. (66,166) ------------ Financing activities: Proceeds from sales of treasury stock................ 6,998 Payments to acquire treasury stock.................. (7,381) Other.. 230 ------------ Net cash used in financing activities.................. (153) ------------- Net increase in cash and cash equivalents............... 512 ------------- Cash and cash equivalents at end of period............. (Yen) 512 ============= -------- Note -- For the years ended March 31, 2000 and 2001, there were no activities involving cash flows. F-75 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Concluded) 32. EVENTS SINCE MARCH 31, 2002 Approval of Dividends On June 27, 2002, the shareholders approved (1) payment of cash dividends to the shareholders of record on March 31, 2002 of (Yen)82,500 per share of Class 1 preferred stock, totaling (Yen)6,716 million, of (Yen)16,200 per share of Class 2 preferred stock, totaling (Yen)1,620 million, and of (Yen)6,000 per share of common stock, totaling (Yen)34,453 million and (2) a reduction of legal capital surplus and transfer to unrestricted capital surplus of (Yen)600,000 million. On November 25, 2002, the Board of Directors approved payment of cash dividends to the shareholders of record on September 30, 2002 of (Yen)41,250 per share of Class 1 preferred stock, totaling (Yen)3,358 million, and (Yen)8,100 per share of Class 2 preferred stock, totaling (Yen)810 million. Adoption of SFAS No. 142 The MTFG Group has performed the required transitional impairment tests of goodwill and intangible assets with indefinite lives upon adoption of SFAS No. 142. The initial adoption resulted in a cumulative adjustment charge to earnings of (Yen)532 million related to the impairment of goodwill. Net loss and amounts per common share for the years ended March 31, 2000, 2001 and 2002 adjusted to exclude amortization expense (net of taxes) related to goodwill are as follows: 2000 2001 2002 -------------- -------------- -------------- Net income (loss): (in millions) Reported net loss............................. (Yen) (47,542) (Yen) (59,174) (Yen) (216,534) Goodwill amortization, net of tax............. 4,431 5,014 7,877 -------------- -------------- -------------- As adjusted................................... (Yen) (43,111) (Yen) (54,160) (Yen) (208,657) ============== ============== ============== Basic earnings (loss) per common share: (in yen) Reported net loss............................. (Yen)(9,663.81) (Yen)(12,274.55) (Yen)(39,733.32) Goodwill amortization, net of tax............. 807.84 911.64 1,418.11 -------------- -------------- -------------- As adjusted................................... (Yen)(8,855.97) (Yen)(11,362.91) (Yen)(38,315.21) ============== ============== ============== Diluted earnings (loss) per common share: (in yen) Reported net loss............................. (Yen)(9,663.81) (Yen)(12,274.55) (Yen)(39,733.32) Goodwill amortization, net of tax............. 807.84 911.64 1,418.11 -------------- -------------- -------------- As adjusted................................... (Yen)(8,855.97) (Yen)(11,362.91) (Yen)(38,315.21) ============== ============== ============== Intangible assets with indefinite lives, that were amortized in the years ended March 31, 2000, 2001 and 2002, were immaterial. Legal Proceedings for Local Taxes On January 30, 2003, the Tokyo High Court upheld the Tokyo District Court's ruling and ordered the Tokyo Metropolitan Government to refund tax payments that the banks had paid over the past two fiscal years, which represents the difference between the 3.0% tax on the gross operating profits paid by the banks and the amount computed based on net income under the former rule. The order includes the refund of (Yen)30.4 billion to BTM and Mitsubishi Trust. However, the Tokyo High Court reversed the lower court on the issue of additional compensation. The Tokyo Metropolitan Government may appeal this decision to the Supreme Court of Japan. To date, there have been no decisions made by the Osaka District Court. Given the fact that the legal process has not been completed, MTFG Group has not recorded any gain in MTFG Group's consolidated financial statements. * * * * * F-76 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) SEPTEMBER 30, 2001 AND 2002 2001 2002 -------------- -------------- (in millions) ASSETS Cash and due from banks............................ (Yen) 1,825,644 (Yen) 2,248,902 Interest-earning deposits in other banks............ 5,376,805 4,148,565 Call loans, funds sold, and receivables under resale agreements................................. 3,116,152 2,359,578 Receivables under securities borrowing transactions...................................... 2,039,577 1,990,738 Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of (Yen)1,056,857 million at September 30, 2001, and (Yen)1,090,382 million at September 30, 2002)................................ 6,542,695 7,327,701 Investment securities: Securities available for sale--at fair value (including assets pledged that secured parties are permitted to sell or repledge of (Yen)515,824 million at September 30, 2001, and (Yen)2,909,808 million at September 30, 2002)... 20,084,360 23,394,650 Securities being held to maturity--at amortized cost.. 283,143 242,168 Other investment securities........................ 170,963 138,289 -------------- -------------- Total investment securities...................... 20,538,466 23,775,107 -------------- -------------- Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of (Yen)702,894 million at September 30, 2001, and (Yen)739,146 million at September 30, 2002)........ 48,307,770 48,091,245 Allowance for credit losses........................ (1,794,045) (1,571,232) -------------- -------------- Net loans.. 46,513,725 46,520,013 -------------- -------------- Premises and equipment--net........................ 709,759 635,139 Accrued interest.................................. 222,287 181,262 Customers' acceptance liability.................... 35,635 30,775 Intangible assets................................. 181,555 200,341 Goodwill.. 35,441 41,070 Other assets...................................... 2,345,613 2,856,838 -------------- -------------- Total...................................... (Yen)89,483,354 (Yen)92,316,029 ============== ============== LIABILITIES AND SHAREHOLDERS' EQUITY Deposits : Domestic offices : Non-interest-bearing............................ (Yen) 2,962,423 (Yen) 3,544,419 Interest-bearing................................ 43,856,571 49,743,486 Overseas offices, principally interest-bearing..... 12,354,681 10,556,215 -------------- -------------- Total deposits............................. 59,173,675 63,844,120 Debentures.. 2,993,854 1,198,007 Call money, funds purchased, and payables under repurchase agreements............................ 5,072,054 6,504,990 Payables under securities lending transactions...... 3,053,634 2,222,914 Due to trust account and other short-term borrowings....................................... 5,152,873 4,491,849 Trading account liabilities........................ 3,330,651 2,656,621 Obligations to return securities received as collateral.. 604,105 742,487 Bank acceptances outstanding....................... 35,635 30,775 Accrued interest.................................. 236,364 152,248 Long-term debt..................................... 5,093,871 5,323,484 Other liabilities.................................. 2,219,523 2,802,395 -------------- -------------- Total liabilities........................... 86,966,239 89,969,890 -------------- -------------- Commitments and contingent liabilities Shareholders' equity : Capital stock : Preferred stock : Class 1--authorized, 81,400 shares; issued and outstanding, 81,400 shares at September 30, 2001 and 2002, with no stated value (aggregate liquidation preference of (Yen)244,200 million).......... 122,100 122,100 Class 2--convertible: authorized, 100,000 shares; issued and outstanding, 100,000 shares at September 30, 2001 and 2002, with no stated value (aggregate liquidation preference of (Yen)200,000 million).................................... 100,000 100,000 Class 3--authorized, 120,000 shares; no shares issued or outstanding................ -- -- Class 4--convertible: authorized, 120,000 shares; no shares issued or outstanding...... -- -- Common stock--authorized, 22,000,000 shares; issued, 5,742,468 shares at September 30, 2001 and 2002, with no stated value............ 873,156 873,156 Capital surplus.................................. 846,932 908,461 Retained earnings : Appropriated for legal reserve.................. 227,462 237,474 Unappropriated.................................. 235,406 72,637 Accumulated other changes in equity from nonowner sources, net of taxes.................. 217,651 115,067 -------------- -------------- Total.. 2,622,707 2,428,895 Less treasury stock, at cost--196,636 common shares at September 30, 2001 and 158,034 common shares at September 30, 2002............. 105,592 82,756 -------------- -------------- Shareholders' equity--net....................... 2,517,115 2,346,139 -------------- -------------- Total...................................... (Yen)89,483,354 (Yen)92,316,029 ============== ============== See the accompanying notes to condensed consolidated financial statements. F-77 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001 AND 2002 2001 2002 ------------- ------------- (in millions) Interest income : Loans, including fees.. (Yen) 675,006 (Yen) 544,972 Deposits in other banks.. 96,233 41,077 Investment securities.. 207,379 196,536 Trading account assets.. 7,844 4,706 Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions.. 102,160 31,173 ------------- ------------- Total.. 1,088,622 818,464 ------------- ------------- Interest expense : Deposits... 296,623 130,277 Debentures.. 11,834 5,657 Call money, funds purchased, and payables under repurchase agreements and securities lending transactions.. 116,534 53,949 Due to trust account, other short-term borrowings, and trading account liabilities...... 25,963 18,928 Long-term debt.. 96,563 76,937 ------------- ------------- Total.. 547,517 285,748 ------------- ------------- Net interest income.. 541,105 532,716 Provision for credit losses... 309,425 232,632 ------------- ------------- Net interest income after provision for credit losses................................. 231,680 300,084 ------------- ------------- Non-interest income : Fees and commissions.. 245,079 251,841 Foreign exchange gains--net.. 62,543 113,511 Trading account profits--net... 106,129 145,548 Investment securities gains--net... -- 28,870 Other non-interest income... 28,909 31,682 -------------- -------------- Total.. 442,660 571,452 -------------- -------------- Non-interest expense : Salaries and employee benefits... 228,455 241,732 Occupancy expenses--net... 67,391 60,418 Investment securities losses--net.. 92,882 -- Other non-interest expenses... 294,755 301,511 -------------- -------------- Total.. 683,483 603,661 -------------- -------------- Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle.. (9,143) 267,875 Income tax expense (benefit).. (1,480) 163,622 -------------- -------------- Income (loss) before cumulative effect of a change in accounting principle.............. (7,663) 104,253 Cumulative effect of a change in accounting principle, net of tax...................... 5,867 (532) -------------- -------------- Net income (loss).. (Yen) (1,796) (Yen) 103,721 ============== ============== Income attributable to preferred shareholders.. (Yen) 4,168 (Yen) 8,336 -------------- -------------- Net income (loss) attributable to common shareholders................................. (Yen) (5,964) (Yen) 95,385 ============== ============== (in Yen) Amounts per share : Basic earnings (loss) per common share--income (loss) before cumulative effect of a change in accounting principle.. (Yen)(2,134.35) (Yen)17,191.86 Basic earnings (loss) per common share--net income (loss).............................. (1,075.90) 17,096.50 Diluted earnings (loss) per common share--income (loss) before cumulative effect of a change in accounting principle.. (2,134.35) 15,147.97 Diluted earnings (loss) per common share--net income (loss)............................ (1,075.90) 15,057.33 See the accompanying notes to condensed consolidated financial statements. F-78 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES (Unaudited) FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001 AND 2002 Gains (Losses), Net of Income Taxes --------------------------------- 2001 2002 ------------- ------------- (in millions) Net Income (loss)... (Yen) (1,796) (Yen) 103,721 ------------- ------------- Other changes in equity from nonowner sources: Net unrealized holding losses on investment securities available for sale... (684,606) (287,675) Reclassification adjustment for (gains) losses included in net income or loss.. 2,358 (40,296) ------------- ------------- Total.. (682,248) (327,971) ------------- ------------- Cumulative effect of a change in accounting principle.................... 1,257 -- Net unrealized gains on derivatives qualifying for cash flow hedges...... 2,079 2,649 Reclassification adjustment for gains included in net income or loss..... (626) (2,965) ------------- ------------- Total.. 2,710 (316) ------------- ------------- Minimum pension liability adjustments................................... (49,967) (18,500) ------------- ------------- Foreign currency translation adjustments................................. 39,732 (61,457) Reclassification adjustment for losses included in net income or loss.... -- 61 ------------- ------------- Total.. 39,732 (61,396) ------------- ------------- Total changes in equity from nonowner sources........................... (Yen)(691,569) (Yen)(304,462) ============= ============= See the accompanying notes to condensed consolidated financial statements. F-79 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited) FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001 AND 2002 2001 2002 -------------- -------------- (in millions) Preferred stock (Class 1) : Balance at beginning of period... (Yen) 122,100 (Yen) 122,100 -------------- -------------- Balance at end of period.. (Yen) 122,100 (Yen) 122,100 ============== ============== Preferred stock (Class 2) : Balance at beginning of period... (Yen) 100,000 (Yen) 100,000 -------------- -------------- Balance at end of period.. (Yen) 100,000 (Yen) 100,000 ============== ============== Common stock : Balance at beginning of period... (Yen) 856,664 (Yen) 873,156 Issuance of common stock... 16,492 -- -------------- -------------- Balance at end of period... (Yen) 873,156 (Yen) 873,156 ============== ============== Capital surplus : Balance at beginning of period... (Yen) 831,105 (Yen) 850,835 Issuance of common stock and gains or losses on sale of treasury stock, net of taxes 15,827 3,618 Recognition of tax benefit arising from treasury stock held by a subsidiary......... -- 54,008 ------------- ------------- Balance at end of period... (Yen) 846,932 (Yen) 908,461 ============== ============== Retained earnings appropriated for legal reserve : Balance at beginning of period.. (Yen) 221,689 (Yen) 236,537 Transfer from unappropriated retained earnings.................................... 5,773 937 ------------- ------------- Balance at end of period.. (Yen) 227,462 (Yen) 237,474 ============== ============== Unappropriated retained earnings : Balance at beginning of period.. (Yen) 271,246 (Yen) 11,593 Net income (loss)... (1,796) 103,721 ------------- ------------- Total... 269,450 115,314 ------------- ------------- Deduction : Cash dividends : Common share.. (24,103) (33,404) Preferred share (Class 1).. (3,358) (6,716) Preferred share (Class 2).. (810) (1,620) Transfer to retained earnings appropriated for legal reserve..................... (5,773) (937) ------------- ------------- Total.. (34,044) (42,677) ------------- ------------- Balance at end of period.. (Yen) 235,406 (Yen) 72,637 ============== ============== Accumulated other changes in equity from nonowner sources, net of taxes : Balance at beginning of period.. (Yen) 907,424 (Yen) 523,250 Cumulative effect of a change in accounting principle.............................. 1,257 -- Net change during the period.. (691,030) (408,183) ------------- ------------- Balance at end of period.. (Yen) 217,651 (Yen) 115,067 ============== ============== Treasury stock: Balance at beginning of period.. (Yen) (108,932) (Yen) (90,974) Purchase of treasury stock... (7,105) (1,571) Sale of treasury stock... 10,445 9,789 ------------- ------------- Balance at end of period.. (Yen) (105,592) (Yen) (82,756) ============== ============== Total shareholders' equity.. (Yen)2,517,115 (Yen)2,346,139 ============== ============== See the accompanying notes to condensed consolidated financial statements. F-80 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001 AND 2002 2001 2002 --------------- --------------- (in millions) Cash flows from operating activities: Net income (loss)................................ (Yen) (1,796) (Yen) 103,721 Adjustments to reconcile net income (loss) to net cash provided by operating activities: Provision for credit losses.................... 309,425 232,632 Investment securities losses (gains)--net....... 92,882 (28,870) Foreign exchange losses (gains)--net............ (205,421) 115,979 Provision for deferred income tax expense (benefit)..................................... (46,328) 132,954 Increase in trading account assets, excluding foreign exchange contracts..................... (311,383) (257,898) Increase in trading account liabilities, excluding foreign exchange contracts........... 356,061 700,851 Decrease in accrued interest receivable and other receivables............................. 95,482 27,017 Decrease in accrued interest payable and other payables..................................... (155,196) (55,765) Other--net..................................... 135,883 99,612 --------------- --------------- Net cash provided by operating activities..... 269,609 1,070,233 --------------- --------------- Cash flows from investing activities: Proceeds from sales and maturities of investment securities available for sale.................. 17,593,691 22,204,801 Purchases of investment securities available for sale.. (17,539,622) (22,768,633) Proceeds from maturities of investment securities being held to maturity............... 19,726 23,945 Proceeds from sales of other investment securities..................................... 7,016 6,512 Purchases of other investment securities.......... (6,545) (17,558) Net decrease in loans............................ 1,137,826 915,611 Net decrease (increase) in interest-earning deposits in other banks........................ 512,523 (43,849) Net decrease in call loans, funds sold, and receivable under resale agreements and securities borrowing transactions.............. 322,065 364,751 Other--net...................................... (250,062) 116,322 --------------- --------------- Net cash provided by investing activities..... 1,796,618 801,902 --------------- --------------- Cash flows from financing activities: Net increase (decrease) in deposits............... (1,006,123) 1,107,440 Net decrease in debentures....................... (411,750) (1,071,192) Net decrease in call money, funds purchased, and payable under repurchase agreements and securities lending transactions................ (661,474) (402,844) Net increase (decrease) in other short-term borrowings..................................... 85,375 (526,124) Net decrease in due to trust account.............. (615,599) (646,757) Proceeds from issuance of long-term debt.......... 878,196 572,193 Repayment of long-term debt....................... (495,691) (396,598) Dividends paid................................... (28,258) (41,724) Other--net....................................... 253,643 18,350 --------------- --------------- Net cash used in financing activities......... (2,001,681) (1,387,256) --------------- --------------- Effect of exchange rate changes on cash and cash equivalents...................................... 31,430 (68,376) --------------- --------------- Net increase in cash and cash equivalents.......... 95,976 416,503 Cash and cash equivalents at beginning of period... 1,729,668 1,832,399 --------------- --------------- Cash and cash equivalents at end of period......... (Yen) 1,825,644 (Yen) 2,248,902 =============== =============== Supplemental Disclosure of Cash Flow Information: Cash paid during the period for: Interest.. (Yen) 700,811 (Yen) 341,273 Income taxes...................................... 49,406 21,522 Non cash investing activities: Loans transferred to other real estate owned....... 6,432 793 Marketable equity securities transferred to employee retirement benefit trusts............... 133,158 -- See the accompanying notes to condensed consolidated financial statements. F-81 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) 1. BASIS OF SEMIANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS On April 2, 2001, Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG"), was established as a bank holding company through a stock-for-stock exchange when The Bank of Tokyo-Mitsubishi, Ltd. ("BTM"), The Mitsubishi Trust and Banking Corporation ("Mitsubishi Trust"), and Nippon Trust Bank Limited ("NTB"), a former subsidiary of BTM, became wholly owned subsidiaries of MTFG. On October 1, 2001, NTB and The Tokyo Trust Bank, Ltd. ("TTB"), which was another trust subsidiary of BTM, merged with and into Mitsubishi Trust through a stock-for-stock exchange. The accompanying unaudited semiannual condensed consolidated financial statements are stated in Japanese yen, the currency of the country in which MTFG is incorporated and principally operates. Such condensed consolidated financial statements include the accounts of MTFG and its subsidiaries (collectively, the "MTFG Group") and reflect all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary for a fair presentation of amounts involved to conform with generally accepted accounting principles and prevailing practices within the banking industry in the United States of America ("US GAAP"). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with consolidated financial statements included in MTFG's Annual Report on Form 20-F for the fiscal year ended March 31, 2002. Certain information that would be included in annual financial statements but not required for semiannual reporting purpose under US GAAP has been omitted or condensed. The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation. Accounting Change Goodwill and Other Intangible Assets--Effective April 1, 2002, the MTFG Group adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill, formerly amortized over its useful life, no longer be amortized and be tested for impairment at least annually. Further, SFAS No. 142 requires that intangible assets that have finite useful lives will continue to be amortized over their useful lives while intangible assets with indefinite lives will no longer be amortized and are subject to impairment testing at least annually. The MTFG Group has performed the required transitional impairment tests of goodwill and intangible assets with indefinite lives upon adoption of SFAS No. 142. The initial adoption resulted in a cumulative adjustment charge to earnings of (Yen)532 million related to the impairment of goodwill. Such cumulative adjustment primarily resulted from an impairment of goodwill related to a U.S. leasing business and was measured using the discounted future cash flows method. Net loss and amounts per common share for the six months ended September 30, 2001 adjusted to exclude amortization expense (net of taxes) related to goodwill are as follows: Net income (loss): (in millions) Reported net loss................. (Yen)(1,796) Goodwill amortization, net of tax. 3,849 ----------- As adjusted....................... (Yen) 2,053 =========== F-82 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) Basic earnings (loss) per common share: (in yen) Reported net loss............................. (Yen)(1,075.90) Goodwill amortization, net of tax............. 694.36 ------------- As adjusted...................................

(Yen) (381.54) ============== Diluted earnings (loss) per common share: (in yen) Reported net loss.............................. (Yen)(1,075.90) Goodwill amortization, net of tax............. 694.36 ------------- As adjusted................................... (Yen) (381.54) ============== Intangible assets with indefinite lives, that were amortized in the prior periods, were immaterial. Intangible assets, other than goodwill, as of September 30, 2002, primarily consist of the capitalized cost of software amounting to (Yen)139,985 million (gross amount of (Yen)296,609 million and accumulated amortization of (Yen)156,624 million) and unrecognized prior service cost amounting to (Yen)41,383 million recorded in accordance with SFAS No. 87, "Employer's Accounting for Pensions." Amortization expense of intangible assets, other than goodwill, for the six months ended September 30, 2002, amounted to (Yen)24,709 million. Amortization expense for the net carrying amount of intangible assets at September 30, 2002 is estimated to be (Yen)23,025 million for the remainder of the fiscal year ending March 31, 2003 (exclusive of (Yen)24,709 million recorded for the six months ended September 30, 2002), (Yen)39,657 million for the fiscal year ending March 31, 2004, (Yen)34,813 million for the fiscal year ending March 31, 2005, (Yen)27,095 million for the fiscal year ending March 31, 2006, (Yen)17,265 million for the year ending March 31, 2007, and (Yen)4,251 million for the fiscal year ending March 31, 2008. Impairment or Disposal of Long-Lived Assets--In August 2001, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets by establishing additional criteria as compared to existing US GAAP to determine when a long-lived asset is held for sale. It also broadens the definition of discontinued operations. This statement carries over the framework established in SFAS No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," and was adopted by the MTFG Group on April 1, 2002. The adoption of this statement had no material impact on the results of operations or financial position. Derivative Instruments and Hedging Activities--On April 1, 2001, the MTFG Group adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires that all derivatives, whether designated as a hedge or not, be recorded on the balance sheet at fair value. SFAS No. 133 also requires that derivative instruments used to hedge be identified specifically to assets, liabilities, firm commitments or anticipated transactions and be expected to remain effective throughout the life of the hedge. Derivative instruments that do not qualify as either a fair value or cash flow hedge are valued at fair value and classified as trading account assets or liabilities with the resultant gain or loss recognized in current earnings. The cumulative effect of the change in accounting principle, net of tax, was to increase net income by (Yen)5,867 million and other changes in equity from nonowner sources by (Yen)1,257 million. Recently Issued Accounting Pronouncements In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses the financial accounting and reporting for obligations associated with the retirement of F-83 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to the legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset. A legal obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppel. This statement is effective for fiscal years beginning after June 15, 2002. The MTFG Group does not expect that the adoption of this statement will have a material impact on our financial condition or results of operations. Rescission of SFAS No. 4, 44, and 64, Amendment of SFAS No. 13--In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The provisions of SFAS No. 145 related to the rescission of Statement No. 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30 for classification as an extraordinary item shall be reclassified. The provisions of this statement related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of SFAS No. 145 are effective for financial statements issued on or after May 15, 2002. The MTFG Group does not expect the adoption of SFAS No.145 to have a material impact on the results of operations or financial position. Costs Associated with Exit or Disposal Activities--In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of SFAS No. 146 are generally to be applied prospectively. Acquisitions of Certain Financial Institutions--In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9." This statement eliminates specialized accounting guidance related to certain acquisitions. The adoption of the standard did not impact the MTFG Group's financial condition or results of operations. Guarantor's Accounting and Disclosure Requirements for Guarantees--In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34." The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The MTFG Group has not completed evaluating the impact of adoption. Stock-Based Compensation--In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS No.148 are effective for fiscal years ending after December 15, 2002, with F-84 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The MTFG Group has not completed evaluating the impact of adoption. Consolidation of Variable Interest Entities--In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No.51." Interpretation No.46 addresses consolidation by business enterprises of variable interest entities. The consolidation requirements of Interpretation No.46 apply immediately to variable interest entities 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. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The MTFG Group has not completed its assessment of the impact of the Interpretation on our financial statements. 2. EARNINGS (LOSS) PER COMMON SHARE Basic earnings (loss) per common share ("EPS") excludes the dilutive effects of potential common shares and is computed by dividing net income (loss) available to common stock shareholders by the weighted average number of common shares outstanding for the period, while diluted EPS gives effect to all dilutive potential common shares that were outstanding for the period. The weighted average number of shares used in the computations of basic EPS and diluted EPS were 5,543 thousand shares and 5,543 thousand shares, respectively, for the six months ended September 30, 2001, and 5,579 thousand shares and 5,870 thousand shares, respectively, for the six months ended September 30, 2002. For the six months ended September 30, 2001, no potential common stock was included in the computation of diluted EPS due to their antidilutive effects. For the six months ended September 30, 2002, 3% Exchangeable Guaranteed Notes due 2002 and Class 2 Preferred Stock were included to compute diluted EPS. 3. NONACCRUAL LOANS, RESTRUCTURED LOANS, ACCRUING LOANS PAST DUE 90 DAYS OR MORE AND IMPAIRED LOANS Loans are generally placed on nonaccrual status when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due, except when the loans are in the process of collection based upon the judgment of management. Impaired loans generally include nonaccrual loans, restructured loans and other loans specifically recognized for impairment. The following is a summary of nonaccrual loans, restructured loans, accruing loans past due 90 days or more and impaired loans at September 30, 2001 and 2002: 2001 2002 -------------- -------------- (in millions) Nonaccrual loans.................................... (Yen)2,354,189 (Yen)1,779,190 Restructured loans.................................. 2,080,856 1,778,659 Accruing loans contractually past due 90 days or more 18,465 13,969 -------------- -------------- Total/(1)/.......................................

(Yen)4,453,510 (Yen)3,571,818 ============== ============== Impaired loans/(1)/................................ (Yen)4,352,232 (Yen)3,475,715 ============== ============== -------- (1) Includes loans held for sale of (Yen)7,403 million at September 30, 2002. F-85 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) Changes in the allowance for credit losses for the six months ended September 30, 2001 and 2002 were as follows: 2001 2002 - ------------- ------------- (in millions) Balance at beginning of period............................ (Yen)1,716,984 (Yen)1,735,180 ------------- ------------- Provision for credit losses............................... 309,425 232,632 ------------- ------------- Charge-offs... 248,307 419,999 Less-Recoveries.. 22,663 36,389 ------------- ------------- Net charge-offs.. 225,644 383,610 ------------- ------------- Other, principally foreign exchange translation adjustments (6,720) (12,970) ------------- ------------- Balance at end of period................................. (Yen)1,794,045 (Yen)1,571,232 ============== ============== 4. ASSETS PLEDGED At September 30, 2002, assets pledged as collateral for call money, funds purchased, payables for repurchase agreements and securities lending transactions, other short-term borrowings, and long-term debt and for certain other purposes were as follows: 2002 -------------- (in millions) Trading account assets (Yen) 1,431,494 Investment securities. 8,349,298 Loans................ 1,681,633 Due from banks........ 294,316 Other................ 39,726 -------------- Total............. (Yen)11,796,467 ============== 5. COMMITMENTS AND CONTINGENT LIABILITIES The following is a summary of contract amounts of credit-related off-balance sheet financial instruments at September 30, 2001 and 2002: 2001 2002 ----------- ----------- (in billions) Commitments to extend credit............ (Yen)27,474 (Yen)29,244 Guaranteed principal of trust accounts.. 4,078 2,772 Standby letters of credit and guarantees 5,196 4,842 Commercial letters of credit............ 372 344 The MTFG Group is involved in various litigation matters. In the opinion of management, the MTFG Group's liabilities, if any, when ultimately determined, will not have a material adverse effect on the MTFG Group's financial position. F-86 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) 6. REGULATORY CAPITAL REQUIREMENTS MTFG, BTM, Mitsubishi Trust, UnionBanCal Corporation ("UNBC"), a subsidiary of BTM, and certain other subsidiaries are subject to various banking and other regulatory requirements including capital requirements promulgated by the regulatory authorities in countries they operate. As such, failure to meet such regulatory requirements, including evolving regulatory measures being implemented by the Japanese government with respect to the Japanese banking industry, may have a direct material effect on MTFG's consolidated financial statements. The table below presents MTFG's consolidated risk-based capital, risk-adjusted assets, and risk-based capital ratios at September 30, 2001 and 2002 (underlying figures are calculated in accordance with Japanese banking regulations based on information derived from the financial statements prepared in accordance with Japanese GAAP as required by the Financial Services Agency of Japan): Actual Actual Minimum capital 2001 2002 ratios required -------------- -------------- -------------- (in millions, except percentages) Capital components: Tier I capital........... (Yen) 3,193,312 (Yen) 3,053,108 Tier II capital.......... 3,050,110 2,942,872 Total risk-based capital. 6,139,211 6,002,033 Risk-weighted assets........ 59,542,761 57,190,304 Capital ratios: Tier I capital........... 5.36 % 5.33 % 4.00% Total risk-based capital. 10.31 10.49 8.00 The table below presents the consolidated and stand-alone risk-based capital ratios of BTM and Mitsubishi Trust at September 30, 2001 and 2002 (underlying figures are calculated in accordance with Japanese banking regulations based on information derived from the financial statements prepared in accordance with Japanese GAAP as required by the Financial Services Agency of Japan): Actual Actual Minimum capital 2001 2002 ratios required ------ ------ -------------- Consolidated capital ratios: BTM: Tier I capital............... 5.18% 5.24% 4.00% Total risk-based capital..... 10.13 10.43 8.00 Mitsubishi Trust: Tier I capital............... 6.81 6.49 4.00 Total risk-based capital..... 11.55 11.44 8.00 Stand-alone capital ratios: BTM: Tier I capital............... 5.34 5.07 4.00 Total risk-based capital..... 10.65 10.14 8.00 Mitsubishi Trust: Tier I capital............... 6.45 6.51 4.00 Total risk-based capital..... 11.07 11.47 8.00 F-87 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) The table below presents the risk-based capital ratios of UNBC and Union Bank of California, a subsidiary of UNBC, at June 30, 2001 and 2002: Actual Actual Minimum capital 2001 2002 ratios required ------ ------ -------------- UNBC: Tier I capital (to risk-weighted assets)..... 10.85% 11.90% 4.00% Tier I capital (to quarterly average assets). 10.33 10.77 4.00 Total capital (to risk-weighted assets)...... 12.70 13.65 8.00 Actual Actual Minimum capital Ratios OCC* requires to 2001 2002 ratios required be "well capitalized" ------ ------ -------------- ---------------------- Union Bank of California: Tier I capital (to risk-weighted assets)..... 9.85% 11.00% 4.00% 6.00% Tier I capital (to quarterly average assets). 9.33 9.89 4.00 5.00 Total capital (to risk-weighted assets)...... 11.40 12.49 8.00 10.00 -------- * OCC represents the Office of the Comptroller of the Currency of the United States of America. 7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES The MTFG Group uses various derivative financial instruments, including interest rate swaps and foreign currency forward contracts, for trading, customer accommodation and risk management purposes. The MTFG Group's trading activities include dealing and customer accommodation activities to meet the financial needs of its customers and related derivatives are measured at fair value with gains and losses recognized currently in earnings. The MTFG Group also accounts for derivatives held for risk management purpose as trading positions and measures them at fair value unless such derivatives qualify for hedge accounting. UNBC adopts hedging strategies and uses certain derivatives to achieve hedge accounting. Cash flow hedge strategy is adopted primarily for the purpose of hedging forecasted future loan interest payments as well as future interest income from variable rate loans, utilizing interest rate swaps and various other interest rate options. A fair value hedge is intended to effectively convert certain fixed rate liabilities (including a trust preferred security and medium-term notes) into floating rate instruments. Gains and losses recorded due to hedge ineffectiveness were not material for the six months ended September 30, 2001 and 2002. 8. BUSINESS SEGMENTS MTFG conducts its business through its principal subsidiaries, BTM and Mitsubishi Trust, which have been granted substantial autonomy in conducting their business. Management currently recognizes BTM and Mitsubishi Trust as principal business segments of the MTFG Group. The business segment information of BTM and its subsidiaries ("BTM Group") and Mitsubishi Trust and its subsidiaries ("Mitsubishi Trust Group"), set forth below, is derived from the internal management reporting systems used by management to measure the performance of the business segments. Unlike financial accounting, there is no authoritative body of guidance for management accounting. The business segment information is based on the financial information prepared in accordance with Japanese GAAP along with internal management accounting rules and practices. Accordingly, the format and information is presented primarily on the basis of Japanese GAAP and is not consistent with the condensed consolidated F-88 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) financial statements prepared on the basis of US GAAP. Management of each subsidiary does not use information on segment total assets to allocate resources and assess performance of their segments and has not prepared information on segment assets. Accordingly, business segment information on total assets is not available. BTM Group Global Retail Commercial Corporate Investment Asset Operations Banking Banking Banking Banking Management UNBC Services Treasury ------------ ------------ ------------ ----------- ------------ ------------ ----------- ------------ (in millions) Six months ended September 30, 2001: Net revenue: BTM: Net interest income.......... (Yen) 90,994 (Yen)113,472 (Yen) 66,597 (Yen) 3,775 (Yen) 289 (Yen) -- (Yen) 510 (Yen) 63,407 Net fees......... 9,761 21,466 30,016 11,601 2,435 -- 1,948 (2,818) Other............ 5,375 11,414 13,654 15,162 (9,087) -- 550 41,160 BTM's subsidiaries..... 35,967 4,761 28,025 28,544 4,318 136,523 7,563 1,023 ------------ ------------ ------------ ----------- ------------ ------------ ----------- ------------ Total............ 142,097 151,113 138,292 59,082 (2,045) 136,523 10,571 102,772 Operating expenses. 113,017 67,523 64,351 35,305 6,276 75,851 8,622 13,334 ------------ ------------ ------------ ----------- ------------ ------------ ----------- ------------ Operating profit... (Yen) 29,080 (Yen) 83,590 (Yen) 73,941 (Yen)23,777 (Yen) (8,321) (Yen) 60,672 (Yen) 1,949 (Yen) 89,438 ============ ============ ============ ========== ============ ============ ========== ============ Six months ended September 30, 2002: Net revenue: BTM: Net interest income.......... (Yen) 81,797 (Yen)100,154 (Yen) 59,370 (Yen) 2,666 (Yen) (138) (Yen) -- (Yen) 402 (Yen) 91,425 Net fees......... 10,065 22,029 33,970 13,289 1,965 -- 1,914 (3,186) Other............ 5,815 15,004 10,348 18,637 (10,800) -- 406 66,598 BTM's subsidiaries..... 37,317 4,943 24,885 27,683 3,667 134,564 7,476 1,122 ------------ ------------ ------------ ----------- ------------ ------------ ----------- ------------ Total............ 134,994 142,130 128,573 62,275 (5,306) 134,564 10,198 155,959 Operating expenses. 107,883 63,761 70,485 40,679 7,959 77,968 8,465 13,396 ------------ ------------ ------------ ----------- ------------ ------------ ----------- ------------ Operating profit... (Yen) 27,111 (Yen) 78,369 (Yen) 58,088 (Yen)21,596 (Yen)(13,265) (Yen) 56,596 (Yen) 1,733 (Yen)142,563 ============ ============ ============ ========== ============ ============ ========== ============ Other* Total ------------- ------------ Six months ended September 30, 2001: Net revenue: BTM: Net interest income.......... (Yen) (2,688) (Yen)336,356 Net fees......... (14,351) 60,058 Other............ (1,579) 76,649 BTM's subsidiaries..... 4,418 251,142 ------------- ------------ Total............ (14,200) 724,205 Operating expenses. 38,539 422,818 ------------- ------------ Operating profit... (Yen) (52,739) (Yen)301,387 ============= =========== Six months ended September 30, 2002: Net revenue: BTM: Net interest income.......... (Yen) (24,843) (Yen)310,833 Net fees......... (18,035) 62,011 Other............ (4,051) 101,957 BTM's subsidiaries..... 4,339 245,996 ------------- ------------ Total............ (42,590) 720,797 Operating expenses. 74,397 464,993 ------------- ------------ Operating profit... (Yen)(116,987) (Yen)255,804 ============= =========== -------- * Other includes the Systems Services unit, the e-Business & Initiatives unit, and the Corporate Center and eliminates overlapping allocation. Management measures the performance of each business unit by "operating profit," which includes profits or losses of BTM's subsidiaries. Financial information for each of BTM's subsidiaries is assigned to only one business unit, based on its major products or services provided and its major type of customers. Operating profit is a defined term in the regulatory reporting to the Financial Services Agency of Japan. F-89 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) Frequently, the business units work together in connection with providing services to customers. In accordance with the BTM Group's internal management accounting policies, BTM Group does not apportion the net revenue relating to any particular transaction among the participating business units. Instead, BTM Group assigns the total amount of net revenue relating to each of these transactions to each participating business unit. As a result, some items of net revenue are recorded as part of the operating results of more than one business unit. Any overlapping allocations are eliminated in the "Other" column. The following is the summary of the aggregate amounts of this overlapping allocation of net revenue for the business units for the six months ended September 30, 2001 and 2002: Global Total Commercial Corporate Amount Banking Banking Eliminated ---------- ----------- ----------- (in millions) Six months ended September 30, 2001: Investment banking............... (Yen)3,325 (Yen)11,757 (Yen)15,082 Six months ended September 30, 2002: Investment banking............... 4,337 13,610 17,947 On April 2, 2001, NTB became a wholly owned subsidiary of MTFG and has been excluded from BTM's consolidation. On October 1, 2001, NTB and TTB merged with and into Mitsubishi Trust and, accordingly, BTM's segment internal management reports do not include the financial performance of NTB and TTB subsequent to the merger. Their post-merger financial performance is reflected in Mitsubishi Trust's segment information. BTM's segment information for the six months ended September 30, 2001 has been restated to reflect the exclusion of NTB and TTB from its consolidation. NTB's operation principally includes pension trust services, securities operations, real estate services, property management services, and stock transfer agency services. TTB's principal business includes securities lending transactions, asset securitizations and other financial securities. The following is a summary of financial performance of NTB and TTB for the six months ended September 30, 2001, derived from the internal management system of these banks without any adjustments. Six Months Ended September 30, 2001 ---------------- (in millions) Net revenue....... (Yen)12,100 Operating expenses 14,341 ----------- Operating loss.... (Yen)(2,241) =========== F-90 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) Mitsubishi Trust Group Trust- Trust Real Global Banking Assets Estate Markets Other* Total ----------- ----------- ---------- ----------- ----------- ------------ (in millions) Six months ended September 30, 2001: Mitsubishi Trust: Net revenue: Net interest income..................... (Yen)35,514 (Yen) -- (Yen) -- (Yen)35,888 (Yen) 4,938 (Yen) 76,340 Fees on jointly operated designated money trusts.......................... 9,856 -- -- 13,201 9,996 33,053 Other fees............................. 12,807 18,353 3,566 (1,459) -- 33,267 Other.................................. 26 -- -- 7,542 (49) 7,519 ----------- ----------- ---------- ----------- ----------- ------------ Total............................... 58,203 18,353 3,566 55,172 14,885 150,179 Operating expenses.......................... 33,491 15,174 3,266 8,174 15,053 75,158 Mitsubishi Trust's subsidiaries............ -- -- -- -- 2,246 2,246 ----------- ----------- ---------- ----------- ----------- ------------ Operating profit............................ (Yen)24,712 (Yen) 3,179 (Yen) 300 (Yen)46,998 (Yen) 2,078 (Yen) 77,267 =========== ========== ========= ========== ========== ============ Six months ended September 30, 2002: Mitsubishi Trust: Net revenue: Net interest income..................... (Yen)38,762 (Yen) -- (Yen) -- (Yen)56,162 (Yen) 2,342 (Yen) 97,266 Fees on jointly operated designated money trusts.......................... 6,126 -- -- 12,236 7,140 25,502 Other fees............................. 14,904 16,825 7,724 (2,665) -- 36,788 Other.................................. 15 -- -- (7,648) (118) (7,751) ----------- ----------- ---------- ----------- ----------- ------------ Total............................... 59,807 16,825 7,724 58,085 9,364 151,805 Operating expenses.......................... 36,811 14,606 4,737 8,906 13,723 78,783 Mitsubishi Trust's subsidiaries............ -- -- -- -- 3,516 3,516 ----------- ----------- ---------- ----------- ----------- ------------ Operating profit............................ (Yen)22,996 (Yen) 2,219 (Yen)2,987 (Yen)49,179 (Yen) (843) (Yen)

76,538 =========== =========== ========== =========== =========== ============ -------- * Other includes certain divisions of the corporate headquarters (e.g., personnel and planning) and adjustments. Mitsubishi Trust uses "operating profit" to measure the performance of each business group, except for the financial performance of subsidiaries which is measured by ordinary profit or loss derived from the financial statements of subsidiaries. Because of the limited significance of subsidiary operations, Mitsubishi Trust does not assign the subsidiary financial performances to any business groups, and manages them on an aggregate basis. It is not practicable to restate business segment information for the six months ended September 30, 2001 to reflect the effect of the merger of NTB and TTB because the differences in the policy and process of compiling and summarizing segment information between Mitsubishi Trust and NTB and TTB have made impractical the precise and reasonable allocation of financial performance of NTB and TTB to each of Mitsubishi Trust's business groups. Reconciliation As explained above, the measurement bases and the income and expense items covered are very different between the internal management reporting system and the accompanying condensed consolidated statements of F-91 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Continued) operations. Therefore, it is impracticable to present reconciliations of the business segments' total information, other than operating profit, to corresponding items in the accompanying condensed consolidated statements of operations. Reconciliation of the total of segment operating profit of BTM Group and Mitsubishi Trust Group from the internal management reporting systems for the six months ended September 30, 2001 and 2002, to income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle shown on the condensed consolidated statements of operations is as follows: 2001 2002 --------- --------- (in billions) Operating profit: BTM.. (Yen) 301 (Yen) 256 Mitsubishi Trust.. 77 77 --------- --------- Total.. 378 333 Trust fees adjusted for write-downs of trust assets................................ (10) (5) Provision for credit losses... (341) (173) Trading account profit.. 36 29 Equity investment securities losses-net... (145) (82) Debt investment securities gains-net.. 9 79 Foreign exchange gains-net.. 123 136 Losses on other real estate owned.. (1) (6) Goodwill amortization.. (4) -- Minority interest... (11) -- Other--net... (43) (43) --------- --------- Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle... (Yen) (9) (Yen) 268 ========= ========= 9. PARENT COMPANY SHARES HELD BY SUBSIDIARY BANKS BTM and Mitsubishi Trust own common stock of MTFG. Such shares are included in treasury stock in the condensed consolidated balance sheet and deducted from MTFG's shareholders' equity. During the six months ended September 30, 2002, the MTFG shares held by BTM were written down for tax purposes. The tax consequence of such write-down was treated as a capital transaction and credited to capital surplus. 10. EVENTS SINCE SEPTEMBER 30, 2002 Approval of Dividends On November 25, 2002, the Board of Directors approved payment of cash dividends to the shareholders of record on September 30, 2002 of (Yen)41,250 per share of Class 1 preferred stock, totaling (Yen)3,358 million, and (Yen)8,100 per share of Class 2 preferred stock, totaling (Yen)810 million. Legal Proceedings for Local Taxes On January 30, 2003, the Tokyo High Court upheld the Tokyo District Court's ruling and ordered the Tokyo Metropolitan Government to refund tax payments that the banks had paid over the past two fiscal years, which F-92 MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)--(Concluded) represents the difference between the 3.0% tax on the gross operating profits paid by the banks and the amount computed based on net income under the former rule. The order includes the refund of (Yen)30.4 billion to BTM and Mitsubishi Trust. However, the Tokyo High Court reversed the lower court on the issue of additional compensation. The Tokyo Metropolitan Government may appeal this decision to the Supreme Court of Japan. To date, there have been no decisions made by the Osaka District Court. Given the fact that the legal process has not been completed, MTFG Group has not recorded any gain in MTFG Group's condensed consolidated financial statements. * * * * * F-93 PROSPECTUS Mitsubishi Tokyo Financial Group, Inc. COMMON STOCK AMERICAN DEPOSITARY SHARES REPRESENTING COMMON STOCK DEBT SECURITIES ---------------- We may offer, from time to time, any of the following securities: .. common stock; .. American depositary shares, or ADSs, representing common stock; and .. debt securities. In addition, our wholly-owned subsidiaries, The Bank of Tokyo-Mitsubishi, Ltd. and The Mitsubishi Trust and Banking Corporation, as selling shareholders, may offer, from time to time, the shares of our common stock that they hold in the form of common stock or ADSs. Because the selling shareholders are our wholly-owned subsidiaries, any offering of shares of our common stock by them will be considered a primary offering under U.S. securities laws. In a supplement to this prospectus, we will identify the particular securities to be offered, and if debt securities are offered, we will provide the specific terms of any debt securities we offer. The prospectus supplement will further describe the manner in which the securities will be offered and will also contain the names of any underwriters, dealers or agents involved in the offering of the securities, together with any applicable commissions or discounts. This prospectus may not be used to offer securities unless accompanied by a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you make a decision to invest. Our common stock is listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange in Japan and on the London Stock Exchange in the United Kingdom. ADSs representing our common stock are listed on the New York Stock Exchange under the symbol "MTF." The applicable prospectus supplement will contain information, where applicable, as to any other listing on any securities exchange of the securities covered by the prospectus supplement. ---------------- Investing in the securities involves risks. See "Risk Factors" beginning on page 4. ---------------- The U.S. Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. ---------------- These securities are not deposits or savings accounts. These securities are not insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency or instrumentality. ---------------- The date of this prospectus is October 16, 2002. TABLE OF CONTENTS 2 ABOUT THIS PROSPECTUS This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf registration process, we may sell any combination of the securities described in this prospectus, and our wholly-owned subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, may sell their shares of our common stock, from time to time in the future in one or more offerings up to a total dollar amount of U.S.$1,000,000,000. Because the selling shareholders are our wholly-owned subsidiaries, any offering of shares of our common stock by them will be considered a primary offering under U.S. securities laws. This prospectus provides you with a general description of the securities that can be offered. Each time securities are offered under this prospectus, we will provide prospective investors with a prospectus supplement that will contain specific information about the terms of the securities. The prospectus supplement may also add to or update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Obtain More Information." You should rely only on the information provided or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with different or additional information. You should not assume that the information in this prospectus or any prospectus supplement, or in any document incorporated by reference, is accurate as of any date after their respective dates. Unless we indicate otherwise or the context otherwise requires, when we use the words "we," "us," "our" or the "MTFG Group," we mean Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries. "Bank of Tokyo-Mitsubishi" refers to The Bank of Tokyo-Mitsubishi, Ltd. and its subsidiaries, and "Mitsubishi Trust Bank" refers to The Mitsubishi Trust and Banking Corporation and its subsidiaries. We use the word "you" to refer to prospective investors in the securities. Our head office is located at 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan and our telephone number is 81-3-3240-8111. In this prospectus and any prospectus supplement, when we refer to "dollars," "U.S.$" and "$," we mean U.S. dollars and, when we refer to "yen" and "(Yen)," we mean Japanese yen. This prospectus contains a translation of some Japanese yen amounts into U.S. dollars solely for your convenience. The financial information presented in this prospectus and our consolidated financial statements, which are incorporated by reference into this prospectus, are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, except for the risk-adjusted capital ratio, the business segment financial information and certain other information, which are prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP. Our consolidated financial statements for the fiscal years ended March 31, 1998, 1999, 2000 and 2001, which are incorporated by reference into this prospectus, reflect the combined results of Bank of Tokyo-Mitsubishi, including Nippon Trust Bank, and Mitsubishi Trust Bank as if the business integration between those banks had been in effect for those periods. Unless we indicate otherwise or the context otherwise requires, the financial and statistical data for those periods presented in or incorporated by reference into this prospectus also reflect the combined results of the banks as if the business integration had been in effect for those periods. References to fiscal 2001 are to the fiscal year ended March 31, 2002 and references to other fiscal years have the corresponding meaning. 3 RISK FACTORS Investing in our securities involves a high degree of risk. You should carefully consider the risks described below as well as all the other information presented in, or incorporated by reference into, this prospectus and any prospectus supplement before investing in our securities. Our business, operating results and financial condition could be materially adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this prospectus. See "Forward-Looking Statements." Risks Related to Our Business We may suffer additional losses in the future due to problem loans. We have a substantial volume of problem loans and have suffered from worsening asset quality problems since the early 1990s. Our problem loans and credit-related expenses could increase if: .. economic conditions in Japan do not improve; .. real estate prices or stock prices in Japan continue to decline; .. our large borrowers become insolvent, or the level of corporate bankruptcies in Japan continues to rise; .. additional economic problems arise elsewhere in Asia or in the Americas; or .. the global economic environment deteriorates generally. This would adversely affect our results of operations, weaken our financial condition and erode our capital base. Our allowance for credit losses may be insufficient to cover future loan losses. We base the allowance for credit losses in our loan portfolio on assumptions and estimates about our customers, the value of collateral we hold and the economy as a whole. Our actual loan losses could prove to be materially different from our estimates and could materially exceed our allowance. If our actual loan losses are higher than we currently expect, our current allowance for credit losses could be insufficient. If we change some of our assumptions and estimates as general economic conditions deteriorate or the value of collateral declines, we may have to provide for additional allowance for credit losses. The credit quality of our loan portfolio may be adversely affected by the continuing financial difficulties of the Japanese real estate and construction sectors. As of March 31, 2002, approximately 16.7% of our domestic loans were made to real estate and construction companies. The Japanese real estate and construction industries have been severely and adversely affected by the sharp decline in Japanese real estate values and construction projects. Japanese real estate prices have declined for 11 straight years, and may still be falling. This has materially adversely affected the credit quality of our loan portfolio in the last decade. We expect these problems to continue for the foreseeable future, especially if the Japanese economy is slow to recover. The credit quality of our loan portfolio may be adversely affected by the continuing financial difficulties of the Japanese wholesale and retail sectors. As of March 31, 2002, approximately 15.5% of our domestic loans were made to wholesale and retail borrowers. Many Japanese wholesalers and retailers have been restructured or are undergoing restructurings through legal proceedings or through out-of-court agreements, including concessions by lenders. If consumer spending 4 continues shrinking in the extended economic downturn, or if restructuring efforts of distressed wholesalers and retailers are not successful, there may be additional significant failures of wholesalers and retailers. A further or extended deterioration within these industries would expose us to substantial additional credit losses. Our exposure to troubled borrowers may increase, and our recoveries from them may be lower than expected. We may provide additional loans to troubled borrowers. We may forbear from exercising all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. We may take these steps even when our legal rights might permit us to take stronger action against the borrower and even when others might take stronger action against the borrower to maximize recovery or to reduce exposure in the short term. We may provide support to troubled borrowers for any of the following reasons or for other reasons: .. political or regulatory considerations; .. reluctance to push a major client into default or bankruptcy or to disrupt a restructuring plan supported by other lenders; and .. a perceived responsibility for the obligations of our affiliated and associated companies. These practices may substantially increase our exposure to troubled borrowers. We may experience losses because our remedies for credit defaults by our borrowers are limited. We may not be able to realize the value of collateral held or enforce our rights against defaulting customers because of: .. the difficulty of foreclosing on collateral in Japan, .. the illiquidity of and depressed values in the Japanese real estate market, and .. depressed values of pledged securities held as collateral. Recent corporate credibility issues may increase our problem loans or otherwise negatively affect our results of operations. In recent months, several high-profile bankruptcy filings and reports of past accounting irregularities, including fraud, in the United States, such as those relating to Enron Corporation, have raised corporate credibility issues, particularly with respect to public companies. In response to these developments and U.S. regulatory responses to these developments, auditors and corporate managers generally have begun to review financial statements more thoroughly and conservatively. As a result, additional accounting irregularities may be uncovered and additional bankruptcy filings may be made in the United States and elsewhere. Such developments could increase our credit costs if they directly involve our borrowers or indirectly affect our borrowers' credit. Any adverse changes in UNBC's business could significantly affect our results of operations. During the fiscal year ended March 31, 2002, approximately 17.3% of our operating profit (which equals 21.8% of the operating profit of Bank of Tokyo-Mitsubishi), as calculated under Japanese GAAP, was generated from the operations of our subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A. Any adverse change in the business or operations of those subsidiaries, which we refer to as "UNBC," could significantly affect our results of operations. Factors that could negatively affect UNBC's results include adverse economic conditions in California, such as energy sector-related problems and falling export levels, U.S. legislative and regulatory reactions following the terrorist attacks in September 2001, and large corporate bankruptcy filings, such as that of Enron Corporation. UNBC could also be adversely affected by a downturn in real estate prices in California. In addition, appreciation of the Japanese yen against the U.S. dollar would reduce UNBC's reported profits in our operating results. 5 We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations. Mitsubishi Tokyo Financial Group, as a holding company, and our Japanese subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, are each required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Japanese Financial Services Agency. UNBC is subject to similar U.S. capital adequacy guidelines. We or our subsidiary banks may be unable to continue to satisfy the capital adequacy requirements, because of: .. credit costs we may incur as we dispose of problem loans and remove impaired assets from our balance sheet; .. credit costs we may incur due to losses from a future deterioration in asset quality; .. adverse changes in foreign currency exchange rates; .. declines in the value of our securities portfolio; and .. changes in accounting rules or in the guidelines regarding the calculation of banks' or bank holding companies' capital ratios, resulting from recently adopted guidelines of the Basel Committee on Banking Supervision or otherwise. If our capital ratios fall below required levels, the Japanese Financial Services Agency could require us to take a variety of corrective actions, including the withdrawal from all international operations or the suspension of all or part of our business operations. Our capital ratios may be negatively affected if we reduce our deferred tax assets. We and our Japanese subsidiary banks determine the amount of our net deferred tax assets and our regulatory capital pursuant to Japanese GAAP and the Japanese banking regulations, which differ from U.S. GAAP and the respective U.S. regulations. Under the Japanese banking regulations, all deferred tax assets established pursuant to Japanese GAAP are included in regulatory capital. Japanese GAAP permits the establishment of deferred tax assets for the tax benefits that are expected to be utilized in the subsequent five fiscal years. The calculation of deferred tax assets is based upon various assumptions, including assumptions with respect to future taxable income. Actual results may differ from these assumptions. At March 31, 2002, our deferred tax assets amounted to (Yen)1,032 billion under Japanese GAAP. From time to time, we reassess whether we are able to realize our deferred tax assets based on our taxable income projections, and make necessary increases or reductions. If we conclude that we or our subsidiary banks are unable to realize a portion of the deferred tax assets, our deferred tax assets may be reduced and as a result, our capital ratios may decline. If the Japanese stock market declines, we may incur losses on our securities portfolio and our capital ratios may be adversely affected. We hold large amounts of marketable equity securities. The market values of these securities are inherently volatile and have generally been declining in recent years. We will incur losses on our securities portfolio if the Japanese stock market continues to decline. Material declines in the Japanese stock market would also materially adversely affect our capital ratios. The value of our equity portfolio could decline due to expected sales of shares in the market by us and others. Many

Japanese financial institutions have traditionally held large amounts of equity securities of their customers, business counterparts and related companies. In November 2001, the Japanese government enacted a law forbidding banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, from holding stocks in excess of their Tier I capital after September 30, 2004. Partly in response to this legislation and partly to reduce 6 risk-weighted assets, we and many other financial institutions have been selling and will continue to sell off large amounts of equity securities. The sale of equity securities by Japanese financial institutions may depress the value of Japanese equity securities, including those in our securities portfolio. In order to comply with the new legislation, we may be forced to sell some of our equity securities at depressed prices. Our business may be adversely affected by competitive pressures, which have increased significantly due to regulatory changes. In recent years, the Japanese financial system has been increasingly deregulated and barriers to competition have been reduced. In addition, the Japanese financial industry has been undergoing significant consolidation, as a result of which larger, more integrated financial institutions have emerged as our competitors. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. Our trading and investment activities expose us to exchange rate, interest rate and other risks. We undertake extensive trading and investment activities involving a variety of financial instruments, including derivatives. Our income from these activities is subject to volatility, caused by, among other things, changes in interest rates, foreign currency exchange rates and equity prices. For example: .. Increases in interest rates have an adverse effect on the value of our fixed income securities portfolio. .. Strengthening of the yen against the dollar and other foreign currencies reduces the value, in our financial statements, of our substantial portfolio of foreign-currency denominated investments. Our results of operations and financial condition in future periods will be exposed to risks of loss associated with these activities. A significant downgrade of our credit ratings could have a negative effect on our treasury operations. A significant downgrade of our credit ratings by one or more of the credit rating agencies could have a negative effect on our treasury operations. In the event of a downgrade of our credit ratings, our treasury unit may have to accept less favorable terms in its transactions with counterparties or may be unable to enter into certain transactions. This could have a negative impact on the profitability of our treasury operations and adversely affect our results of operations and financial condition. We will be exposed to increased risks as we expand the range of our products and services. As we expand the range of our products and services beyond our traditional banking business and as the sophistication of financial products and management systems grows, we will be exposed to new and increasingly complex risks. In many cases, we will have no experience or only limited experience with these risks. Some of the activities in which our subsidiaries engage, such as derivatives and foreign currency trading, present volatile and substantial risks. Our risk management systems may prove to be inadequate, and may not work in all cases or to the degree required. As a result, we are subject to substantial market, credit and other risks in relation to these expanding products and services and trading activities, which could result in our incurring substantial losses. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected, or if the profitability of opportunities is undermined by competitive pressures. Our income and expenses relating to our international operations and our foreign assets and liabilities are all exposed to foreign currency fluctuations. Our international operations are subject to fluctuations in foreign currency exchange rates against the Japanese yen. When the yen appreciates, yen amounts for transactions denominated in foreign currencies, including a substantial portion of UNBC's transactions, decline. In addition, a portion of our assets and liabilities are denominated in foreign currencies. To the extent that our foreign-currency-denominated assets and liabilities 7 are not matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against the Japanese yen may adversely affect our financial condition, including our capital adequacy ratios. In addition, fluctuations in foreign exchange rates will create foreign currency translation gains or losses. We may not be able to achieve the expected benefits of integrating into a single financial services group. Our success in combining Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank into a single financial services group depends on our ability to integrate the operations of our subsidiaries and affiliates, achieve expected cost savings and foster cooperation between the institutions in customer and product cross-selling. We may not be able to accomplish these goals as expected. For example: .. We may have difficulty in implementing our strategies as an integrated financial group. .. We may not be able to integrate our operations as quickly as planned due to legal restrictions, internal resistance or market resistance. As a result, we may not achieve cost reductions as fully or as quickly as we expect. .. The costs of integration may be higher than we expect. .. We may encounter problems with system integration and incompatibility at the subsidiary and affiliate level, market resistance to new technologies or distribution channels, or technical difficulties. As a result, our efforts to increase our operational efficiency and broaden the distribution channels for our financial products and services through investments in information technology may not succeed as we expect. .. We may lose customers and business as we consolidate and, in some cases, rebrand some of our affiliates' operations, such as in the case of the merger of several securities subsidiaries and affiliates creating Mitsubishi Securities Co., Ltd. Losses relating to our pension plans and a decline in returns on our plan assets may negatively affect our results of operations and our financial condition. We may incur losses if the fair value of our pension plans' assets decline, if the rate of return on our pension assets declines, or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation is based. In addition, we may have unrecognized prior service costs resulting from amendments to our pension plans. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and the resulting annual amortization expense. We may not be able to refinance our subordinated debt obligations with equally subordinated debt, and as a result our capital ratios may be adversely affected. Under Japanese GAAP, at March 31, 2002, subordinated debt accounted for approximately 35% of Mitsubishi Tokyo Financial Group's total capital, approximately 36% of Bank of Tokyo-Mitsubishi's total capital and approximately 34% of Mitsubishi Trust Bank's total capital. We may not be able to refinance these subordinated debt obligations with equally subordinated debt. The failure to refinance these subordinated debt obligations with equally subordinated debt may reduce our total capital and as a result negatively affect our risk-weighted capital ratios. We may have to compensate for losses in our loan trusts and jointly operated designated money trusts. This could have a negative effect on our operating results. Mitsubishi Trust Bank compensates for losses of principal of loan trusts and some designated money trusts. As of March 31, 2002, the principal balance of those indemnified trusts was (Yen)3,441 billion. Funds in those indemnified trusts are generally invested in loans and securities. Mitsubishi Trust Bank is required to maintain reserves in the accounts of those indemnified trusts for loan losses and other impairments of principal, but the amount of these compensation obligations does not appear as a liability on our balance sheet. If the amount of 8 assets and reserves held in the indemnified trusts falls below the principal as a result of loan losses, losses in the investment portfolio or otherwise, Mitsubishi Trust Bank would be required to make a payment on the indemnities. Trust beneficiaries of loan trusts and jointly operated designated money trusts are entitled to a semi-annual dividend, which in practice is the "projected rate" published semi-annually. As a result, sharp declines in interest rates or in the value of the securities held in its trusts' investment portfolios will reduce the performance-dependent trust fees that Mitsubishi Trust Bank generates from its loan trusts and jointly operated designated money trusts and will thus adversely affect our results of operations. We are exposed to substantial credit and market risks in Asian countries. We are active in the Asian region through a network of branches and subsidiaries, and are thus exposed to a variety of credit and market risks associated with these countries. If a decline in the value of Asian currencies occurs, it could adversely affect the creditworthiness of some of our borrowers in the region. The loans we make to Asian borrowers and banks are often denominated in yen, U.S. dollars or other foreign currencies. The borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and others. In addition, some Asian countries may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The restriction of credit 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 further losses to us. Our efforts to reduce our holdings of equity securities may adversely affect our relationships with customers. Japanese law prohibits banks from holding stocks in excess of their Tier I capital after September 30, 2004. In order to comply with this requirement and to reduce our risk exposure to fluctuations in equity security prices, we intend to sell a substantial portion of our equity securities. Most of these securities are held under cross-shareholding arrangements where we acquire the customer's securities for business relation purposes. The planned sale of securities will reduce our cross-shareholdings, which may have an adverse affect on our relationships with our customers. Restrictions on our subsidiaries' ability to pay dividends and make other distributions could limit amounts payable to us. As a holding company, a substantial portion of our cash flow comes from dividends that our Japanese bank subsidiaries pay to us. Under some circumstances, various statutory or contractual provisions restrict the amount of dividends our subsidiaries can pay to us. In addition, if any of our subsidiaries enter into bankruptcy or reorganization proceedings or liquidate, that subsidiary's creditors will be entitled to receive distributions from the assets of that subsidiary to satisfy their claims against it before we, as a holder of an equity interest in the subsidiary, will be entitled to receive any of the assets of the subsidiary. It may not be possible for investors to effect service of process within the United States upon us or our directors, executive officers or corporate auditors, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the Federal securities laws of the United States. We are a joint stock company incorporated under the laws of Japan. All of our directors, executive officers and corporate auditors reside outside of the United States. Many of our and their assets are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in the United States courts predicated upon the civil liability provisions of the Federal securities laws of 9 the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of liabilities predicated solely upon the Federal securities laws of the United States. Risks Related to the Japanese Banking Industry Recent efforts by the Japanese government to encourage the disposal of problem loans in two to three years could exacerbate our credit losses. The Japanese government's emergency economic package, released in April 2001, strongly urges major banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust-Bank, to remove non-performing loans from their balance sheets within two to three years. These guidelines for the disposal of non-performing loans could increase our credit losses if we sell our problem loans at a larger discount than we had expected. Any significant adverse regulatory developments or changes in government policies or economic controls could have a negative impact on our results of operations. We conduct our business subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other markets we operate in. Future changes in regulation, fiscal or other policies are unpredictable and beyond our control. Our business may be adversely affected by negative developments with respect to other Japanese financial institutions, both directly and by the effect they may have on the overall Japanese banking environment. Many Japanese financial institutions, including banks, non-bank lending and credit institutions, financial affiliates of securities companies and insurance companies, continue to experience severe asset quality and other financial problems, in part as a result of Japan's protracted recession. This may lead to severe liquidity and solvency problems, which have resulted in the liquidation or restructuring of affected institutions. The continued financial difficulties of financial institutions could adversely affect us because: .. as of March 31, 2002, approximately 11.1% of our domestic loans were made to banks and other financial institutions, and of those loans 2.7% were classified as nonaccrual and restructured loans; .. we are a shareholder of some other banks and financial institutions; .. we may be requested to participate in providing assistance to support distressed financial institutions; .. deposit insurance premiums could rise if deposit insurance funds prove to be inadequate; and .. repeated bankruptcies could undermine depositor confidence generally or adversely affect the overall banking environment. We might have to pay risk premiums on borrowings from international financial institutions, or be subject to credit limitations by them. As a result of concerns regarding asset quality and the failure of several large Japanese financial institutions, international financial institutions have in the past: .. charged an additional risk premium to Japanese financial institutions for short-term borrowings in the interbank market; and .. placed restrictions on the amount of credit, including interbank deposits, that they extend to Japanese banks. These restrictions on credit result in higher operating expenses and decreased profitability for affected Japanese banks. If conditions in the Japanese banking and other financial sectors deteriorate, international markets could again impose risk premiums or credit restrictions on Japanese banks, including us. 10 We may be adversely affected if the current economic conditions in Japan continue or 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. The outlook for the economy as a whole remains uncertain because: .. recent economic data show that the Japanese economy is not recovering; .. unemployment rates are at an historic high; .. real estate prices have declined for the past 11 years, and may still be declining; and .. Japanese stock prices have declined to their lowest levels in 18 years. These factors may continue or worsen. If they do, our earnings and credit quality may be adversely affected. We may have to pay more regional or national bank taxes. In April 2000, the Tokyo Metropolitan Government began imposing a tax of 3% on the gross operating profits of banks operating within its jurisdiction. In May 2000, Osaka Prefecture introduced a similar tax on operating profits of banks operating within its jurisdiction. In March 2002, the

Tokyo District Court overturned the Tokyo local tax, but the decision is under appeal. Banks are also challenging in court the legality of the Osaka local tax. Other prefectures may implement similar local bank taxes, and the Japanese government may introduce a similar bank tax nationwide. Depending on the outcome of these court cases and the decisions of other prefectures and the Japanese government, we may have to pay more regional or national bank taxes. A change to current interest rate policy could adversely affect our results of operations. The Bank of Japan now maintains interest rates at near zero percent. If interest rate policies change, we could be adversely affected through lower spreads or declines in the value of our investments in Japanese government bonds. In addition, an increase in interest rates may increase our problem loans as some of our borrowers may not be able to meet the increased interest payment requirements. This would adversely affect our results of operations. Risks Related to Owning Our Shares Sales of our shares by our subsidiaries may adversely affect our stock price. Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank hold shares of our common stock. Under the Japanese Commercial Code, they are legally required to dispose of all of our shares within a reasonable time of the formation of Mitsubishi Tokyo Financial Group. No implementing timetable has been specified by the relevant regulators, but Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank plan to sell their shares as soon as market circumstances permit a favorable offering. If Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank fulfill that legal requirement by selling our shares in the market, it could adversely affect the trading price of our shares. Efforts by other companies to reduce their cross-shareholdings may adversely affect our stock price. Many companies in Japan that hold our shares, have announced plans to reduce their cross-shareholdings in other companies. Our own announced plans to sell cross-held shares in other companies may encourage them to sell our shares. If these companies sell our shares in the market, it could adversely affect the trading price of our shares. Negative media coverage of Japan's banking industry may have a materially adverse effect on our stock price. Recently, Japan's banking industry has been covered extensively by both Japanese and foreign media. The main focus of this coverage has been Japanese banks' problem loans. Most of this coverage has been negative 11 and suggests that the amount of problem loans that Japanese banks actually hold is greater than what is disclosed. Negative media coverage of Japan's banking industry regarding problem loans and other issues, whether or not accurate and whether or not applicable to us, may have a materially adverse effect on our stock price. Rights of shareholders under Japanese law may be more limited than under the laws of jurisdictions within the United States. Our articles of incorporation, the regulations of our board of directors and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a non-Japanese company. Shareholders' rights under Japanese law are different in some respects from shareholders' rights under the laws of jurisdictions within the United States. 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 within the United States. Risks Related to Owning Our Debt Securities The indentures will not limit our ability to incur additional debt, including senior debt. The indentures relating to the debt securities do not limit or restrict the amount of other indebtedness, including senior indebtedness, that we or our subsidiaries may incur in the future. There may be no active market for the debt securities. The debt securities will constitute new issues of securities for which there is no established trading market. No market for the debt securities may develop, and there may be no liquidity for the debt securities. As a result, you may not be able to resell the debt securities at all or at prices that you desire. Risks Related to Owning Our Subordinated Debt Securities The subordination provisions in the subordinated debt securities could hinder your ability to receive payment. Under some circumstances, your right to receive payment on the subordinated debt securities will be subordinated and subject in right of payment in full to the prior payment of all our senior indebtedness. We expect from time to time to incur additional indebtedness and other obligations that will constitute senior indebtedness, and the subordinated debt indenture does not contain any provisions restricting our ability to incur senior indebtedness. Risks Related to Owning ADSs As a holder of ADSs, you will have fewer rights than a shareholder has, and you will have to act through the depositary to exercise these rights. The rights of our shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to holders of record. Because the depositary, through its custodian agent, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. In your capacity as an ADS holder, however, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights except through the depositary. Foreign exchange rate fluctuations may affect the dollar value of our ADSs and dividends payable to holders of our ADSs. Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar. 12 FORWARD-LOOKING STATEMENTS We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the SEC, including this prospectus, any prospectus supplement, documents incorporated by reference, 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 without fear of litigation so long as the information is identified as forward looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. We rely on this safe harbor in making these disclosures. Forward-looking statements include statements regarding our intent, belief or current expectations and/or the current belief or current expectations of our management with respect to our results of operations and financial condition, including, among other matters, our problem loans and loan losses. We use words such as "anticipate," "aim," "believe," "estimate," "expect," "intend," "plan," "probability," "risk" and similar expressions, as they relate to us or our management, to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain 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 described in this respect as anticipated, aimed at, believed, estimated, expected, intended or planned. We do not intend to update these forward-looking statements. The forward-looking statements we make are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in forward-looking statements as a result of various factors. We identify in this prospectus and any prospectus supplement, in "Risk Factors" and elsewhere, the important factors that could cause these differences. We are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise. 13 CAPITALIZATION The following table presents our capitalization at March 31, 2002: March 31, 2002 (1) ----------------------- (in millions) Actual Total short-term borrowings(3)(4).. (Yen)14,843,891 $111,861 Debentures(5).. 2,269,122 17,100 Long-term debt:(4)(6) Obligations under capital leases.. 42,206 318 Obligation under sale-and-leaseback transactions........................... 101,806 767 Unsubordinated debt(7).. 2,444,932 18,425 Subordinated debt(8).. 2,546,877 19,193 Mandatorily redeemable preferred securities of subsidiary grantor trust.... 48,020 362 ---------------------- Total long-term debt.. 5,183,841 39,065 -------------- -------- Minority interest(9)... 210,503 1,586 Shareholders' equity: Preferred stock (Class 1), with no par value(10).......................... 122,100 920 Preferred stock (Class 2), with no par value(11)........................... 100,000 754 Common stock, with no par value(12)....................................... 873,156 6,580 Capital surplus(2).. 850,835 6,412 Retained earnings(2): Appropriated for legal reserve.. 236,537 1,782 Unappropriated... 11,593 87 Accumulated other changes in equity from nonowner sources, net of taxes(2). 523,250 3,943 -------------- -------- Total.. 2,717,471 20,478 Less treasury stock, at cost: 169,639 common shares........................ 90,974 686 -------------- -------- Shareholders' equity--net.. 2,626,497 19,792 -------------- -------- Total capitalization... (Yen)25,133,854 $189,404 ============== ======== -------- (1)The US dollar amounts represent translations of the yen amounts at the rate of (Yen)132.70 = US$1.00, the Federal Reserve Bank of New York's noon buying rate on March 29, 2002. (2)Does not reflect the results of operations and other changes in equity from nonowner sources for any period subsequent to March 31, 2002, including the payment of cash dividends approved by the shareholders meeting on June 27, 2002 and a reduction of legal capital surplus and transfer to unappropriated retained earnings. The aggregate amount of cash dividends approved by the shareholders meeting on June 27, 2002 was (Yen)42.8 billion, and the amount of the reduction of legal capital surplus and transfer to unappropriated retained earnings was (Yen)600 billion. (3)It is impracticable for us to determine the amount of short-term borrowings that are guaranteed by third parties. There were changes in total short-term borrowings, attributable to normal business activities, between April 1, 2002 and August 31, 2002. (4)At March 31, 2002, short-term debt and long-term debt of 5,624.8 billion were secured. (5)At March 31, 2002, the debentures were not guaranteed by a third party and were unsecured. Debentures of (Yen)873.0 billion were redeemed between April 1, 2002 and August 31, 2002. (6)Represents debt with original maturities of more than one year. At March 31, 2002, (Yen)28.2 billion of long-term debt was guaranteed by a third party. (7)Unsecured unsubordinated bonds of (Yen)240.0 billion due 2005 through 2012 were issued between April 1, 2002 and August 31, 2002. Unsubordinated bonds of (Yen)49.6 billion were redeemed between April 1, 2002 and August 31, 2002. 14 (8)Subordinated bonds of (Yen)145.5 billion due 2004 through 2015 were issued between April 1, 2002 and August 31, 2002. In addition, undated subordinated bonds of (Yen)24.6 billion were issued between April 1, 2002 and August 31, 2002. Subordinated bonds of (Yen)152.8 billion were redeemed between April 1, 2002 and August 31, 2002. Subordinated borrowings of (Yen)96.0 billion were obtained and subordinated borrowings of (Yen)63.6 billion were repaid between April 1, 2002 and August 31, 2002. (9)Included in other liabilities in our consolidated financial statements. (10)At March 31, 2002, the authorized, issued and outstanding number of class 1 preferred shares was 81,400. Class 1 preferred shares are redeemable at our option under the redemption terms stipulated by the articles of incorporation. We may redeem shares of class 1 preferred shares at (Yen)3,000 thousand per share on or after January 21, 2004. (11)At March 31, 2002, the authorized, issued and outstanding number of class 2 preferred shares was 100,000. Class 2 preferred shares are convertible into common stock at the option of the shareholders during a conversion period. (12)At March 31, 2002, the authorized number of shares and issued number of shares were 22,000,000 and 5,742,467.72, respectively. (13)At March 31, 2002, the total balance of guarantee for repayment of trust principal, standby letters of credit and other guarantees and commercial letters of credit was (Yen)9,114 billion. With respect to contingent liabilities, we are involved in various litigation matters. In the opinion of management, our liabilities, if any, when ultimately determined will not have a material adverse effect on our financial position. (14)Except as disclosed above, there has been no material change in our consolidated capitalization and indebtedness since March 31, 2002. 15 USE OF PROCEEDS Unless otherwise disclosed in the accompanying prospectus supplement, we will use the net proceeds from our sale of securities to fund our business and the businesses of our wholly-owned subsidiaries and, except with respect to senior debt securities, to strengthen our capital base. We will provide further details about our use of proceeds from a particular offering in the applicable prospectus supplement. Our wholly-owned subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, as selling shareholders, may be offering the shares of our common stock that they hold, in the form of common stock or ADSs. Because the selling shareholders are our wholly-owned subsidiaries, any offering of shares of our common stock by them will be considered a primary offering under U.S. securities laws and the net proceeds from the offering will be reflected in our consolidated financial statements. However, Mitsubishi Tokyo Financial Group will not directly receive the proceeds from their sales of shares of our common stock, and the proceeds will be allocated to the selling shareholder in proportion to the shares sold by them. Unless otherwise disclosed in the accompanying prospectus supplement, we intend to have Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank use the proceeds from their sale of the securities to fund their business. We will provide further details about their use of proceeds from a particular offering in the applicable prospectus supplement. DETERMINATION OF OFFERING PRICE We may sell securities, or the selling shareholders may sell shares of our common stock, from time to time on any national securities exchange or automated interdealer quotation system on which our shares of common stock or other securities are listed or quoted, through negotiated transactions with underwriters or with other persons, through a combination of such methods of sale or otherwise, including private sales. See "Plan of Distribution." We may sell securities, or the selling shareholders may sell shares of our common stock, at market prices at the time of sale, at prices related to those market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by agreement between ourselves and underwriters, brokers, dealers or agents, or purchasers. 16 RATIOS OF EARNINGS TO FIXED CHARGES AND RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS The following table shows our ratios of earnings to fixed charges and preferred stock dividends for the periods indicated: Year Ended March 31, -- 1998 1999 2000 2001 2002 ------------ ---------- ---- ---- ---------- (in billions, except ratios) U.S. GAAP: Ratio of earnings to fixed charges: Excluding interest on deposits............................ -- -- 1.04 1.05 -- Including interest on deposits............................ -- -- 1.02 1.02 -- Fixed charge deficiency.................................... (Yen)1,190.8 (Yen)655.5 -- -- (Yen)293.5 Ratio of earnings to combined fixed charges and preferred stock dividends: Excluding interest on deposits............................ -- -- 0.98 0.98 -- Including interest on deposits............................ -- -- 1.01 1.01 -- Fixed charge deficiency.................................... (Yen)1,190.8 (Yen)655.5 -- -- (Yen)293.5 The ratios of earnings to fixed charges are computed by dividing earnings by fixed charges. Earnings consist primarily of income (loss) before income taxes and cumulative effect of a change in accounting principle, as adjusted for some equity method investments and for fixed charges. Fixed charges consist primarily of interest expenses on deposits, debentures and short-term and long-term debt, amortization of debt expense and discount and one-third (the portion deemed representative of the interest factor) of net rental expense under long-term leases. To compute the ratios of earnings to combined fixed charges and preferred stock dividends, fixed charges are then combined with preferred stock dividend requirements. As of the date of this prospectus, our outstanding classes of preferred stock are class 1 and 2 preferred shares. Dividends on the class 1 and 2 preferred shares were declared during the fiscal years ended March 31, 2000, 2001 and 2002. For the fiscal years ended March 31, 1998, 1999 and 2002, as the ratios of earnings to (combined) fixed charges (and preferred stock dividends) indicated less than one-to-one coverage, only the yen amounts of the deficiencies are disclosed in the above table. These deficiencies resulted primarily from provisions for possible credit losses of (Yen)1,476 billion and (Yen)1,239 billion in the fiscal years ended March 31, 1998 and 1999, respectively, which were substantially greater than other historical levels. In the fiscal year ended March 31, 2002, the deficiency resulted primarily due to the increase in non-interest expenses. 17 DESCRIPTION OF SECURITIES Common Stock We summarize below the material provisions of our articles of incorporation and our share handling regulations and the Commercial Code of Japan (Law No. 48 of 1899) as they relate to joint stock companies, also known as kabushiki kaisha. Because it is a summary, this discussion should be read together with our articles of incorporation and the share handling regulations which have been filed, or incorporated by reference, as exhibits to the registration statement of which this prospectus is a part. General A joint stock company is a legal entity incorporated under the Commercial Code. The investment and rights of the shareholders of a joint stock company are represented by shares of stock in the company, and shareholders' liability is limited to the amount of the subscription for the shares. Our authorized common share capital is 22,000,000 shares of common stock with no par value. As of March 31, 2002, a total of 5,742,467.72 shares of common stock (including 169,639 shares of common stock held by Mitsubishi Tokyo Financial Group and its consolidated subsidiaries as treasury stock) were issued. Each of the shares issued and outstanding is fully paid and non-assessable. We also are authorized to issue 421,400 shares of preferred stock, including 81,400 class 1 preferred shares, 100,000 class 2 preferred shares, 120,000 class 3 preferred shares and 120,000 class 4 preferred shares. As of March 31, 2002, we had 81,400 class 1 preferred shares, 100,000 class 2 preferred shares, and no class 3 and class 4 preferred shares issued and outstanding. We may issue shares from our authorized but unissued share capital following a resolution to that effect by our board of directors. An increase in our authorized share capital is only possible by amendment of our articles of incorporation which generally requires shareholders' approval. Our wholly-owned subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, may under this prospectus sell the shares of our common stock that they own. Because Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank are our wholly-owned subsidiaries, any offering of shares of our common stock by them will be considered a primary offering for U.S. securities law purposes. In connection with the stock-for-stock exchange transaction forming Mitsubishi Tokyo Financial Group, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank received shares of our common stock in April 2001. As of March 31, 2002, Bank of Tokyo-Mitsubishi held 128,111 shares, excluding 4,900 shares held in trust, of our common stock, representing 2.23% of the issued shares of our common stock, and Mitsubishi Trust Bank held 27,840 shares, excluding 7,700 shares held in trust, of our common stock, representing 0.48% of the issued shares of our common stock. Under the Commercial Code, shares must be registered and are transferable by delivery of share certificates. In order to assert shareholders' rights against us, a shareholder must have its name and address registered on our register of shareholders, in accordance with our share handling regulations. The registered holder of deposited shares underlying the ADSs is the depositary for the ADSs, or its nominee. Accordingly, holders of ADSs will not be able to assert shareholders' rights other than as provided in the agreement between us, the depositary and the holders of the ADSs. A holder of shares may choose, at its discretion, to participate in the central clearing system for share certificates under the Law Concerning Central Clearing of Share Certificates and Other Securities of Japan. Participating shareholders must deposit certificates representing the shares to be included in this clearing system with the Japan Securities Depository Center, Inc. If a holder is not a participating institution in the Japan Securities Depositary Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Japan Securities Depositary Center. All shares deposited with the Japan Securities Depositary Center will be registered in the name of the Japan

Securities Depositary Center on 18 our register of shareholders. Each participating shareholder will in turn be registered on our register of beneficial shareholders and be treated in the same way as shareholders registered on our register of shareholders. Delivery of share certificates is not required to transfer deposited shares. Entry of the share transfer in the books maintained by the Japan Securities Depositary Center for participating institutions, or in the books maintained by a participating institution for its customers, has the same effect as delivery of share certificates. This central clearing system is intended to reduce paperwork required in connection with transfers of shares. Beneficial owners may at any time withdraw their shares from deposit and receive share certificates. Dividends Dividends are distributed in proportion to the number of shares owned by each shareholder on the record date for the dividend, subject to the customary Japanese practice that in case of a newly issued share, a dividend is paid on a pro rata basis for the portion of a dividend period during which such share has been owned. Any shares sold by Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank will not, for this purpose, be treated as newly issued shares. Dividends for each financial period may be distributed following shareholders' approval at an ordinary general meeting. Payment of dividends on common stock is subject to the preferential dividend rights of holders of preferred stock. Under our articles of incorporation, our financial accounts will be closed on March 31 of each year, and dividends, if any, will be paid to shareholders of record at March 31 following shareholders' approval at an ordinary general meeting of shareholders. In addition to year-end dividends, our board of directors may by resolution declare an interim cash dividend to shareholders of record as of September 30 of each year. Under the Commercial Code, we may not make any distribution of profits by way of annual or interim dividend unless we have set aside in our legal reserve an amount equal to at least one-tenth of the cash dividend and other amount paid by us as an appropriation of retained earnings or of any interim dividend, as the case may be, until the aggregate amount of our legal reserve and additional paid-in capital is at least one-quarter of our stated capital. We may distribute annual or interim dividends out of the excess of our net assets, on a non-consolidated basis, over the aggregate of: (1) our stated capital, (2) our additional paid-in capital, (3) our accumulated legal reserve, (4) the legal reserve to be set aside in respect of the dividend concerned and any other proposed payment by way of appropriation of retained earnings, (5) the excess, if any, of unamortized expenses incurred in preparation for the commencement of business and in connection with certain research and development over the aggregate of the amounts referred to in (2), (3) and (4) above, and (6) if assets are stated at market value on our balance sheet, the excess, if any, of the aggregate market value over the aggregate acquisition cost of those assets. In the case of interim dividends, net assets are calculated by reference to the balance sheet as of the end of the preceding fiscal year, adjusted to reflect: (a) any subsequent payment by way of appropriation of retained earnings and transfer to legal reserve in respect of such payment; (b) any subsequent transfer of retained earnings to stated capital; and (c) if we have been authorized, pursuant to a resolution of an ordinary general meeting of shareholders or the board of directors, to repurchase our own shares, the total amount of the repurchase price for those shares that may be paid by us. Interim dividends may not be paid if there is a risk that at the end of the fiscal year, there might not be any excess of net assets over the aggregate of the amounts referred to in (1) through (6) above. In Japan, the "ex-dividend" date and the record date for any dividends precede the date of determination of the amount of the dividend to be paid. The market price of shares generally becomes ex-dividend on the third business day prior to the record date. 19 Stock Splits Stock splits of our outstanding stock may be effected at any time by resolution of the board of directors. When a stock split is to be effected, we may increase the amount of the authorized share capital to cover the stock split by amending our articles of incorporation by resolution of the board of directors without approval by special resolution of the general meeting of shareholders, unless more than one class of stock is issued and outstanding. Shareholders will not be required to exchange stock certificates for new stock certificates, but certificates representing the additional stock resulting from the stock split will be issued to shareholders. We must give public notice of the stock split, specifying a record date at least two weeks prior to the record date and, in addition, promptly after the stock split takes effect, give notice to each shareholder specifying the number of shares to which such shareholder is entitled by virtue of the stock split. Fractional Shares Fractional shares may arise from, among other things, a stock split or a combination of outstanding shares into a smaller number of shares. A holder of fractional shares constituting one-hundredth of one share or any integral multiple of one-hundredth of one share will be registered in our register of fractional shares. Fractional shares will carry no voting rights, but, pursuant to the Commercial Code and our articles of incorporation, the holders of fractional shares will have the right to receive dividends and interim dividends, if any, on their fractional shares. No certificates for fractional shares will be issued and therefore fractional shares will not normally be transferable. However, the registered holders of fractional shares may at any time require us to purchase the fractional shares at the shares' current market price. New Unit Share System The new unit share system (tan-gen kabu) was introduced by amendments to the Commercial Code which became effective on October 1, 2001. Currently, we do not use the new unit share system. However, we may use the new unit share system by amending our articles of incorporation which requires shareholders' approval. Under the new unit share system, a company may provide in its articles of incorporation that a unit comprises a specified number of shares that is equal to or less than 1,000 and that does not exceed one-two hundredth of the number of issued shares. A company may provide in its articles of incorporation that the company will not issue certificates representing a number of shares less than a unit. Under the new unit share system, one unit of shares has one voting right. A holder of less than one unit of shares has no voting right. If we adopt the new unit share system, shareholders may require us to purchase shares constituting less than a unit at the current market price. The board of directors may reduce the number of shares constituting a unit or cease to use the unit share system by amendments to our articles of incorporation even though amendments to the articles of incorporation generally require a special resolution of the general meeting of shareholders. General Meeting of Shareholders The ordinary general meeting of our shareholders is usually held in June of each year in Chiyoda-ku, Tokyo. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders. The record date for ordinary general meetings of our shareholders is March 31. Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a representative director at least six weeks prior to the date of the meeting. Voting Rights A shareholder has one voting right for each whole share. However, a corporate shareholder may not exercise its voting rights if we hold more than one quarter of the total voting rights with respect to that shareholder. Consequently, neither Bank of Tokyo-Mitsubishi nor Mitsubishi Trust Bank may vote shares of our common 20 stock that they hold. Under our articles of incorporation, except as otherwise provided by law or by other provisions of our articles of incorporation, a resolution can be adopted at a shareholders' meeting by the holders of a majority of the voting rights represented at the meeting. The Commercial Code and our articles of incorporation require a quorum of not less than one third of the total number of voting rights for election of our directors and corporate auditors. The Commercial Code provides that a quorum of a majority of outstanding voting rights, excluding those owned by our subsidiaries and affiliates of which we own, directly or indirectly, more than 25 percent, must be present at a shareholders' meeting to approve specified corporate actions, such as: .. amendment of the articles of incorporation, except in some limited cases; .. the removal of a director or corporate auditor; .. a dissolution, merger or consolidation, except for certain types of mergers; .. a stock-for-stock exchange or stock-for-stock transfer, except in some limited circumstances; .. the transfer of the whole or an important part of our business; .. a reduction of stated capital; .. a corporate split, except in some limited circumstances; .. the acquisition of the whole business of another company, except in some limited circumstances; .. the offering to persons other than shareholders of stock at a specially favorable price, or of stock acquisition rights or bonds or notes with stock acquisition rights with specially favorable conditions; and .. the repurchase of our own stock from a specific party. At least two-thirds of the voting rights represented at the meeting must approve these actions. There is no cumulative voting for the election of directors or corporate auditors. Subscription Rights Holders of shares have no preemptive rights under our articles of incorporation. Under the Commercial Code, however, our board of directors may determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, these subscription rights must be given on uniform terms to all shareholders as of a specified record date by public notice at least two weeks prior to the record date. A notification to each individual shareholder must also be given at least two weeks prior to the date of expiration of the subscription rights. Rights to subscribe for new shares may be transferable or non-transferable, as determined by the board of directors. If subscription rights are not transferable, a purported transfer by a shareholder will not be enforceable against us. Stock Acquisition Rights We may issue stock acquisition rights (shinkabu yoyakuken), which in the U.S. are often in the form of warrants, or bonds with stock acquisition rights that cannot be detached (shinkabu yoyakuken-tsuki shasai), which in the U.S. are often in the form of convertible bonds or bonds with non-detachable warrants. Except where the issuance would be on "specially favorable" terms, the issuance of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may either acquire shares by paying the applicable exercise price or, if so determined by a resolution of the board of directors, by making a substitute payment, such as having the convertible bonds redeemed for no cash in lieu of the exercise price. 21 Liquidation Rights Upon our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and preferred distributions to holders of shares of preferred stock will be distributed among the holders of our common stock in proportion to the number of shares they own. Transfer Agent Mitsubishi Trust Bank is the transfer agent for our common stock. The office of Mitsubishi Trust Bank for this purpose is located at 11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo, 100-8212, Japan. Mitsubishi Trust Bank maintains our register of shareholders and records transfers of record ownership upon presentation of share certificates. Reports to Shareholders We furnish to our shareholders notices, in Japanese, of shareholders' meetings, annual business reports, including our financial statements, and notices of resolutions adopted at our shareholders' meetings. Record Dates and Closing of Shareholders' Register As stated above, March 31 is the record date for the payment of annual dividends if any, and the determination of shareholders entitled to vote at ordinary general meetings of our shareholders. September 30 is the record date for the payment of interim dividends, if any. In addition, by a resolution of the board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date or close the shareholders' register temporarily, for a period not in excess of three months, in order to determine the shareholders who are entitled to the rights pertaining to the shares. The trading of shares and the delivery of certificates may continue even while the shareholders' register is closed. Repurchase of Our Shares of Common Stock We may repurchase our own shares: .. through the Tokyo Stock Exchange or other stock exchanges on which the shares are listed, if authorized by an ordinary resolution of an ordinary general meeting of shareholders, .. by way of a tender offer, if authorized by an ordinary resolution of an ordinary general meeting of shareholders, .. from a specific party, if authorized by a special resolution of an ordinary general meeting of shareholders, or .. from subsidiaries, if authorized by a resolution of the board of directors. When the repurchase is made by us from a specific party, as authorized by a special resolution of an ordinary meeting of shareholders, any shareholder may make a demand to a director, five days or more prior to the relevant shareholders' meeting, that we also repurchase the shares held by that shareholder. Any repurchase of our own shares from persons other than our subsidiaries must satisfy certain requirements, including that the total amount of the repurchase price may not exceed the amount of the retained earnings available for annual dividend payments after taking into account any reduction, if any, of the stated capital, additional paid-in capital or legal reserve (if such reduction of the stated capital, additional paid-in capital or legal reserve has been authorized pursuant to a resolution of the relevant ordinary general meeting of shareholders), minus the amount to be paid by way of appropriation of retained earnings for the relevant fiscal year and the amount to be transferred to stated capital. If we repurchase shares from subsidiaries, the total amount of the repurchase price may not exceed the amount of the retained earnings available for interim dividend payment minus the amount of interim dividend, if paid. If it is anticipated that the net assets on the balance sheet as at the end of the relevant fiscal year will be less than the aggregate amount of the stated capital, additional paid-in capital and other items as described in (1) through (6) in the second paragraph under "--Dividends" above, we may not repurchase our own shares. 22 We may hold our own shares so repurchased without restrictions. In addition, we may cancel or dispose of our own shares that we hold by a resolution of the board of directors. As of March 31, 2002, Mitsubishi Tokyo Financial Group (excluding its subsidiaries) owned 374.24 treasury shares. Preferred Stock The following is a summary of information concerning the shares of our preferred stock, including brief summaries of certain provisions of our articles of incorporation and share handling regulations and of the Commercial Code as currently in effect. The detailed rights of the preferred shares are set out in the articles of incorporation and the resolutions of the board of directors relating to the issuance of the relevant stock. General Under our articles of incorporation, we are authorized to issue four classes of preferred shares. The preferred shares have equal preference over shares of common stock in respect of dividend entitlements and distribution upon our liquidation, but holders of the preferred shares are not entitled to vote at general meetings of shareholders, subject to the exceptions provided under the Commercial Code. Currently, 81,400 shares of class 1 and 100,000 shares of class 2 preferred shares are outstanding, but class 3 and class 4 preferred shares are not outstanding. We may, at any time, purchase and redeem, at fair value, any shares of preferred stock outstanding out of earnings available for distribution to shareholders. Class 1 and class 3 preferred shares are not convertible into our common stock but are redeemable at our discretion. We may redeem shares of class 1 preferred shares at (Yen)3,000,000 per share, in whole or in part, on or after January 21, 2004. The redemption terms of class 3 preferred shares will be determined by the board of directors at the time of issuance of class 3 preferred shares. Class 2 and class 4 preferred shares are convertible into our common stock at the option of the holder during a conversion period. At the option of the holders, class 2 preferred shares are convertible into common stock from July 31, 2003 to July 31, 2008 at the conversion price of

(Yen)1,391,428 per share. The conversion price will be revised annually on August 1 of each year from 2003 through 2007 to reflect, subject to certain adjustments, the average market closing price of our common stock on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of revision of the conversion price. The conversion price will not exceed the initial conversion price of (Yen)1,391,428 nor be below (Yen)714,285 unless certain events or circumstances arise. Class 2 preferred shares which are not converted at the option of the holders will be mandatorily converted into common stock on August 1, 2008, at the conversion price determined based on the average market closing price of the common stock traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of mandatory conversion. In the event the average market closing price is below (Yen)714,285, the conversion price will be (Yen)714,285. The conversion terms of class 4 preferred shares will be determined by the board of directors at the time of issuance of class 4 preferred shares. Preferred Dividends The amount of the preferred dividends for class 1 preferred shares is (Yen)82,500 per share per fiscal year and for class 2 preferred shares is (Yen)16,200 per share per fiscal year. The amounts of the preferred dividends for class 3 and class 4 preferred shares are to be set by the resolutions of the board of directors at the time of issuance. The annual dividend per share may not exceed (Yen)250,000 per share per fiscal year for class 3 preferred shares and (Yen)125,000 per share per fiscal year for class 4 preferred shares. In the event that the board of directors determines to pay an interim dividend to holders of the common stock, we will, in priority to the payment of that interim dividend, pay a preferred interim dividend to holders of the preferred shares and the amount of that preferred interim dividend will be deducted from the preferred dividend payable on preferred shares in respect of that same fiscal year. No payment of dividends on the preferred shares or any other shares can be made unless we have sufficient retained earnings and, in the case of annual preferred dividends, the shareholders at the relevant ordinary general meeting of shareholders or, in the case of preferred interim dividends, the board of directors, resolves to distribute the retained earnings. 23 Dividends on the preferred shares are non-cumulative. If the full amount of any dividend is not declared on the preferred shares in respect of any fiscal year, holders of the preferred shares do not have any right to receive dividends in respect of the deficiency in any subsequent fiscal year, and we will have no obligation to pay the deficiency or to pay any interest whether or not dividends are paid in respect of any subsequent fiscal year. The holders of the preferred shares are not entitled to any further dividends or other participation in or distribution of our profits. Liquidation Rights In the event of our voluntary or involuntary liquidation, holders of the preferred shares will be entitled, equally in rank as among themselves, to receive out of the residual assets upon liquidation a distribution of (Yen)3,000,000 per share for class 1 preferred shares, (Yen)2,000,000 per share for class 2 preferred shares and (Yen)2,500,000 per share in the case of each of the class 3 preferred shares and class 4 preferred shares before any distribution of assets is made to holders of common stock. The holders of preferred shares are not entitled to any further dividends or other participation in or distribution of our residual assets upon our liquidation. Voting Rights No holder of preferred shares has the right to receive notice of, or to vote at, a general meeting of shareholders, except as otherwise specifically provided under the Commercial Code or other applicable law. Under the Commercial Code, holders of the preferred shares will be entitled to receive notice of, and have one voting right per preferred share at, general meetings of shareholders (1) from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting or (2) from the close of our ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed. American Depositary Shares The Bank of New York will issue the American depositary receipts, or ADRs. Each ADR will represent ownership interests in American depositary shares, or ADSs. Each ADS represents one thousandth of a share of our common stock. Each ADS is held by Bank of Tokyo-Mitsubishi, acting as custodian, at its principal office in Tokyo, on behalf of The Bank of New York, acting as depositary. Each ADS will also represent securities, cash or other property deposited with The Bank of New York but not distributed to ADS holders. The Bank of New York's corporate trust office is located at 101 Barclay Street, New York, New York 10286 and its principal executive office is located at One Wall Street, New York, New York 10286, U.S.A. You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are. The Bank of New York will actually be the registered holder of the common stock, so you will have to rely on it to exercise your rights as a shareholder. Our obligations and the obligations of The Bank of New York are set out in a deposit agreement among us, The Bank of New York and you, as an ADS holder. The deposit agreement and the ADSs are governed by New York law. The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR. You can find directions on how to obtain copies of these in the section entitled "Where You Can Obtain More Information." 24 Share Dividends and Other Distributions The Bank of New York has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares of common stock or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent. Cash. The Bank of New York will convert any cash dividend or other cash distribution we pay on our common stock into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any approval from the Japanese government is needed and cannot be obtained, the deposit agreement allows The Bank of New York to distribute the yen only to those ADS holders to whom it is possible to do so. The Bank of New York will hold the yen it cannot convert for the account of the ADS holders who have not been paid. It will not invest the yen and it will not be liable for any interest. Before making a distribution, any withholding taxes that must be paid under Japanese law will be deducted. See "Taxation--Japanese Taxation." The Bank of New York will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the relevant exchange rates fluctuate during a time when The Bank of New York cannot convert the Japanese currency, you may lose some or all of the value of the distribution. Shares. The Bank of New York may distribute new ADSs representing any shares we may distribute as a dividend or free distribution, if we furnish The Bank of New York promptly with satisfactory evidence that it is legal to do so. The Bank of New York will only distribute whole ADSs. It will sell shares which would require it to issue a fractional ADS and distribute the net proceeds in the same way as it distributes cash dividends. If The Bank of New York does not distribute additional ADSs, each ADS will also represent the new shares. Rights to Receive Additional Shares. If we offer holders of our common stock any rights to subscribe for additional shares of common stock or any other rights, The Bank of New York may, after consultation with us, make those rights available to you. We must first instruct The Bank of New York to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or do not give these instructions, and The Bank of New York decides it is practical to sell the rights, The Bank of New York will sell the rights and distribute the proceeds in the same way as it distributes cash dividends. The Bank of New York may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them. If The Bank of New York makes rights available to you, upon instruction from you it will exercise the rights and purchase the shares on your behalf. The Bank of New York will then deposit the shares and issue ADSs to you. It will only exercise the rights if you pay it the exercise price and any other charges the rights require you to pay. U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after the exercise of the rights. For example, you may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York may issue the ADSs under a separate restricted deposit agreement which will contain the same provisions as the deposit agreement, except for changes needed to put the restrictions in place. The Bank of New York will not offer you rights unless those rights and the securities to which the rights relate are either exempt from registration or have been registered under the U.S. Securities Act with respect to a distribution to you. We will have no obligation to register under the Securities Act those rights or the securities to which they relate. Other Distributions. The Bank of New York will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. The Bank of New York is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution 25 of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us or The Bank of New York to make them available to you. Deposit, Withdrawal and Cancellation The Bank of New York will issue ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will register the appropriate number of ADSs in the names you request and will deliver the ADSs at its corporate trust office to the persons you request. In certain circumstances, subject to the provisions of the deposit agreement, the Bank of New York may issue ADSs before the deposit of the underlying shares. This is called a pre-release of ADSs. A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of the shares to close out a pre-release. The depositary may pre-release ADSs only on the following conditions: .. Before or at the time of the pre-release, the person to whom the pre-release is made must represent to the depositary in writing that it or its customer, as the case may be, owns the shares to be deposited; .. The pre-release must be fully collateralized with cash or collateral that the depositary considers appropriate; .. The depositary must be able to close out the pre-release on not more than five business days' notice. The pre-release will be subject to whatever indemnities and credit regulations that the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of a pre-release. You may turn in your ADSs at the Corporate Trust Office of The Bank of New York's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will deliver (1) the underlying shares to an account designated by you and (2) any other deposited securities underlying the ADS at the office of the custodian. Or, at your request, risk and expense, The Bank of New York will deliver the deposited securities at its corporate trust office. The ADSs may only be presented for cancellation and release of the underlying shares of common stock or other deposited securities in multiples of 1,000 ADSs. Holders of ADRs evidencing less than 1,000 ADSs will not be entitled to delivery of any underlying shares or other deposited securities unless such ADRs, together with other ADRs presented by the same holder at the same time, represent in the aggregate at least 1,000 ADSs. If any ADSs are surrendered but not cancelled pursuant to the preceding sentence, The Bank of New York will execute and deliver an ADR or ADRs evidencing the balance of ADSs not so cancelled to the person or persons surrendering the same. Voting Rights If you are an ADS holder on a record date fixed by The Bank of New York, you may instruct The Bank of New York to vote the shares underlying your ADSs at a meeting of our shareholders in accordance with the procedures set forth in the deposit agreement. The Bank of New York will notify you of the upcoming meeting and arrange to deliver our voting materials to you. The notice shall contain (a) such information as is contained in such notice of meeting, (b) a statement that as of the close of business on a specified record date you will be entitled, subject to any applicable provision of Japanese law and our articles of incorporation, to instruct The Bank of New York as to the exercise of the voting rights, if any, pertaining to the amount of shares or other deposited securities represented by your ADSs, and (c) a brief statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to The Bank of New York to give a discretionary proxy to a person designated by us. Upon your written request, received on or before the date established by The Bank of New York for such purpose, The Bank of New York shall endeavor in so far as practicable to vote or cause to be 26 voted the amount of shares or other deposited securities represented by your ADSs in accordance with the instructions set forth in your request. So long as Japanese law provides that votes may only be cast with respect to one or more whole shares or other deposited securities, The Bank of New York will aggregate voting instructions to the extent such instructions are the same and vote such whole shares or other deposited securities in accordance with your instructions. If, after aggregation of all instructions to vote received by The Bank of New York, any portion of the aggregated instructions constitutes instructions with respect to less than a whole share or other deposited security, The Bank of New York will not vote or cause to be voted the shares or other deposited securities to which such portion of the instructions apply. The Bank of New York will not vote or attempt to exercise the right to vote that attaches to the shares or other deposited securities, other than in accordance with the instructions of the ADS holders. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York to vote your shares. In addition, The Bank of New York is not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions as long as it has acted in good faith. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested. Fees and Expenses ADR holders must pay: For: --- -- $5.00 (or less) per 100 ADSs (or portion thereof).. Each issuance of an ADS, including as a result of a distribution of shares or rights or other property Each cancellation of an ADS, including if the agreement terminates $0.02 (or less) per ADSs.......................... To the extent permitted by securities exchange on which the ADSs may be listed for trading any cash payment Registration or transfer fees...................... Transfer and registration of shares on the share register of the foreign registrar from your name to the name of The Bank of New York or its agent when you deposit or withdraw shares Expenses of The Bank of New York.................. Conversion of foreign currency to U.S. dollars Cable, telex and facsimile transmission expenses Taxes and other governmental charges The Bank of New York or Bank of Tokyo-Mitsubishi, as custodian, have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes................................. As necessary Payment of Taxes You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADSs. The Bank of New York may refuse to transfer your ADSs or allow you to withdraw the deposited securities underlying your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADSs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any property, remaining after it has paid the taxes. Reclassifications, Recapitalizations And Mergers If we: .. reclassify, split up or consolidate any of our shares or the deposited securities, 27 .. recapitalize, reorganize, merge, liquidate, consolidate or sell all or substantially all of our assets or take any similar action, or .. distribute securities on the shares that are not distributed to you, then, (1) the cash, shares or other securities received by The Bank of New York will become deposited securities and each ADS will automatically represent its equal share of the new deposited securities unless additional ADSs are issued; and (2) The Bank of New York may, and will if we request, issue new ADSs or ask you to surrender your outstanding ADSs in exchange for new ADSs, identifying the new deposited securities. Amendment and Termination We may agree with The Bank of New York to amend the deposit agreement and the ADSs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses, or prejudices an important right of ADS holders, it will only become effective three months after The Bank of New York notifies you of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADS, to agree to the amendment and to be bound by the ADSs and the deposit agreement as amended. However, no amendment will impair your right to receive the deposited securities in exchange for your ADSs. The Bank of New York will terminate the deposit agreement if we ask it to do so, in which case it must notify you at least 30 days before termination. The Bank of New York may also terminate the deposit agreement if The Bank of New York has told us that it would like to resign and we have not appointed a new depositary bank within 60 days. If any ADSs remain outstanding after termination, The Bank of New York will stop registering the transfers of ADSs, will stop distributing dividends to ADS holders and will not give any further notices or do anything else under the deposit agreement other than: (1) collect dividends and distributions on the deposited securities, (2) sell rights and other property offered to holders of deposited securities, and (3) deliver shares and other deposited securities in exchange for ADSs surrendered to The Bank of New York. At any time after one year following termination, The Bank of New York may sell any remaining deposited securities. After that, The Bank of New York will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The Bank of New York's only obligations will be to account for the money and other cash and with respect to indemnification and to retain depositary documents. After termination, our only obligations will be with respect to indemnification and to pay certain amounts to The Bank of New York. Limitations on Obligations and Liability to ADS Holders The deposit agreement expressly limits our obligations and the obligations of The Bank of New York. It also limits our liability and the liability of The Bank of New York. We and The Bank of New York: .. are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith; .. are not liable if either is prevented or delayed by law, any provision of our articles of incorporation or circumstances beyond their control from performing their obligations under the deposit agreement; 28 .. are not liable if either exercises or fails to exercise discretion permitted under the deposit agreement; .. have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party unless indemnified to their satisfaction; and .. may rely upon any advice of or information from legal counsel, accountants, any person depositing shares, any ADS holder or any other person believed in good faith to be competent to give them that advice or information. In the deposit agreement, we and The Bank of New York agree to indemnify each other for liabilities arising out of acts performed or omitted by the other party in accordance with the deposit agreement. Requirements for Depositary Actions Before The Bank of New York will issue or register transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, it may require: .. payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities, .. production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary, and .. compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents. The Bank of New York may refuse to deliver, transfer, or register transfers of ADSs generally when its transfer books are closed, when our transfer books are closed or at any time if it or we think it advisable to do so. You have the right to cancel your ADSs and withdraw the underlying shares at any time except: .. when temporary delays arise because: (1) The Bank of New York has closed its transfer books or we have closed our transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on the shares; .. when you or other ADS holders seeking to withdraw shares owe money to pay fees, taxes and similar charges; or .. when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities. This right of withdrawal may not be limited by any other provision of the deposit agreement. Reports and Other Communications The Bank of New York will make available for your inspection at its corporate trust office any reports and communications, including any proxy soliciting material, that it receives from us, if those reports and communications are both (a) received by The Bank of New York as the holder of the deposited securities and (b) made generally available by us to the holders of the deposited securities. If we ask it to, The Bank of New York will also send you copies of those reports it receives from us. Inspection of Transfer Books The Bank of New York will keep books for the registration and transfer of ADSs, which will be open for your inspection at all reasonable times. You will only have the right to inspect those books if the inspection is for the purpose of communicating with other owners of ADSs in connection with our business or a matter related to the deposit agreement or the ADSs. 29 Debt Securities The debt securities offered by this prospectus will be our unsecured obligations. Senior debt will be issued under a senior debt indenture. Subordinated debt will be issued under a subordinated debt indenture. Debt securities may be issued as convertible debt securities which are classified under the Japanese Commercial Code as bonds with stock acquisition rights. The senior debt indenture and the subordinated debt indenture are sometimes referred to in this prospectus individually as an "indenture" and collectively as the "indentures." The forms of indentures are filed as exhibits to the registration statement, of which this prospectus forms a part. The following briefly summarizes the material provisions of the indentures and the debt securities. You should read the more detailed provisions of the applicable indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of debt securities, which will be described in more detail in the applicable prospectus supplement. Copies of the indentures may be obtained from us or the applicable trustee. So that you may easily locate the more detailed provisions, the numbers in parentheses below refer to sections in the applicable indenture or, if no indenture is specified, to sections in each of the indentures. Wherever particular sections or defined terms of the applicable indenture are referred to, these sections or defined terms are incorporated into this prospectus by reference, and the statement in this prospectus is qualified by that reference. Unless otherwise provided in the applicable prospectus supplement, the trustee under the senior debt indenture will be The Bank of New York and the trustee under the subordinated debt indenture will be JPMorgan Chase Bank. We are a holding company that conducts substantially all of our operations through subsidiaries and our obligations under the debt securities will not be guaranteed by any of our subsidiaries. As a result, claims of the holders of the debt securities will generally have a junior position to claims of creditors of our subsidiaries, except to the extent that Mitsubishi Tokyo Financial Group is recognized, and receives payment, as a creditor of those subsidiaries. Claims of our subsidiaries' creditors other than Mitsubishi Tokyo Financial Group include, among other things, substantial amounts of long-term borrowings, deposit liabilities, securities sold under repurchase agreements, commercial paper and other short-term borrowings. Neither of the indentures limits our ability to enter into a highly leveraged transaction or provides you with any special protection in the event of such a transaction. In addition, neither of the indentures provides special protection in the event of a sudden and dramatic decline in our credit quality resulting from a takeover, recapitalization or similar restructuring. General The indentures provide that our debt securities may be issued in one or more series, with different terms, in each case as authorized from time to time by us. Neither of the indentures limits the amount of debt securities that we may issue. We have the right to "reopen" a previous issue of a series of debt securities by issuing additional debt securities of that series. Subordinated debt securities may be: .. senior subordinated securities with a fixed stated maturity or date of redemption; or .. junior subordinated securities with no fixed stated maturity or date of redemption. Specific Japanese and U.S. federal income tax consequences and other special considerations applicable to any series of debt securities issued by us will be described in the applicable prospectus supplement. The applicable prospectus supplement relating to any series of debt securities will describe, among other things, the following terms, where applicable: .. the title of the debt securities; .. whether the debt securities will be senior, senior subordinated or junior subordinated debt; 30 .. the total principal amount of the debt securities; .. any limit on the aggregate principal amount or aggregate initial offering price of the debt securities; .. the percentage of the principal amount at which the debt securities will be sold and, if applicable, the method of determining the price; .. the date or dates on which the principal of the debt securities will be payable, if any, and the amount payable upon acceleration; .. the interest rate or the method of computing the interest rate; .. the date or dates from which any interest will accrue, or how the date or dates will be determined, and the interest payment date or dates and any related record dates; .. if other than in U.S. dollars, the currency or currency unit in which payment will be made; .. if any payments may be made at our election or at the election of a holder of debt securities in a currency or currency unit other than that in which the debt securities are stated to be payable, the periods within which and the terms upon which the election may be made; .. any provisions for the payment of additional amounts for taxes in addition to those set forth below; .. the denominations in which the currency or currency unit of any debt securities will be issuable; .. the location where payments on the debt securities will be made; .. the terms and conditions on which the debt securities may be redeemed at our option; .. any obligation of ours to redeem, purchase or repay the debt securities at the option of a holder upon the happening of any event and the terms and conditions of redemption, purchase or repayment; .. the conversion provisions, if any; .. any provisions for the discharge of our obligations relating to the debt securities by deposit of funds or government obligations; .. whether the debt securities are to trade in book-entry form and the terms and any conditions for exchanging the global security in whole or in part for paper certificates; .. the date of any global security if other than the original issuance of the first debt security to be issued; .. any covenants or agreements relating to the debt securities; .. any events of default applicable to the debt securities not described in this prospectus; .. any material provisions of the applicable indenture described in this prospectus that do not apply to the debt securities; and .. any other specific terms of the debt securities. We may issue some of the debt securities as original issue discount debt securities. Original issue discount debt securities will bear no interest or will bear interest at a below-market rate and will be sold at a discount below their stated principal amount. The prospectus supplement will contain any special tax, accounting or other information relating to original issue discount debt securities. If we offer other kinds of debt securities, including debt securities linked to an index or payable in currencies other than U.S. dollars, the prospectus supplement relating to those debt securities will also contain any special tax, accounting or other information relating to those debt securities. The debt securities, other than convertible debt securities, will be issued only in registered form. As currently anticipated, debt securities of a series will trade in book-entry form, and global notes will be issued in physical (paper) form, as described below under "--Global Securities." Unless otherwise provided in the accompanying prospectus supplement, debt securities denominated in U.S. dollars will be issued only in denominations of $1,000 and whole multiples of $1,000. (Section 302.) The prospectus supplement relating to offered securities denominated in a foreign or composite currency will specify the denomination of the offered securities. The debt securities may be presented for exchange, and debt securities other than a global security may be presented for registration of transfer, at the principal corporate trust office of the relevant trustee in New York City. Holders will not have to pay any service charge for any registration of transfer or exchange of debt securities, but you may have to pay an amount to cover any tax or other governmental charge payable in connection with the registration of transfer. (Section 305.) 31 Payment and Paying Agents Distributions on the debt securities other than those represented by global notes will be made in the designated currency against surrender of the debt securities at the principal corporate trust office of the relevant trustee in New York City. Payment of interest will be made on the relevant payment date to the registered holder at the close of business on the record date for the payment. Interest payments will be made at the principal corporate trust office of the relevant trustee in New York City, or by a check mailed to the holder at his registered address. (Section 307.) Interest payments on debt securities that are not denominated in U.S. dollars may be made by paying agents outside of New York City. Payments in any other manner will be specified in the prospectus supplement. Payment of Additional Amounts All payments of the principal of, premium, if any, and interest, including discount, if any, on our debt securities will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Japan or the jurisdiction of organization of any successor entity or any of their political subdivisions or taxing authorities, unless the withholding or deduction of the taxes, duties, assessments or other governmental charges is required by law or regulation or by the official interpretation of the relevant law or regulation. In that event, we will pay to each holder of debt securities such additional amounts as may be necessary in order that each net payment on the applicable debt security after the deduction or withholding will not be less than the amount provided for in the applicable debt security to be then due and payable. The obligations to pay these additional amounts, however, will not apply to: .. any taxes, duties, assessments or other governmental charges that would not have been imposed but for (1) the existence of any present or former connection between the holder or the beneficial owner of the applicable debt security, or between a fiduciary, settlor, beneficiary or partner, if the holder or beneficial owner is an estate, trust or partnership, and the applicable taxing jurisdiction imposing the taxes, duties, assessments or other governmental charges other than the mere receipt of payments in respect of a debt security or the holding or ownership of a debt security or beneficial interest therein or the enforcement of rights with respect thereto; or (2) the presentation of a debt security, where presentation is required, for payment on a date more than 30 days after the date on which the payment became due and payable or the date on which payment of the debt security is duly provided for, whichever occurs later, except to the extent the holder or beneficial owner of the debt security would have been entitled to the additional amounts if it had presented the debt security for payment on any date within the 30-day period; .. any estate, inheritance, gift, sales, transfer, personal property or similar tax, duty, assessment or other governmental charge; .. any tax, duty, assessment or other governmental charge which is payable otherwise than by withholding from payments of, or in respect of, principal of, or any interest on, the debt securities; .. any tax, duty, assessment or other governmental charge that is imposed or withheld by reason of the failure to comply by the holder or the beneficial owner of the debt securities with our request addressed to the holder: (1) to provide information concerning the nationality, residence, identity or connection with a taxing jurisdiction of the holder or the beneficial owner, or (2) to make any declaration or other similar claim to satisfy any information or reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of the tax, assessment or other governmental charge; 32 .. any withholding or deduction imposed on a payment to an individual and required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such directive; .. any withholding or deduction that is imposed on any debt security that is presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant debt security to another paying agent in a member state of the European Union; or .. any combination of items listed above. Additional amounts will not be paid with respect to any payment of principal or any interest on any debt security to any holder or beneficial owner that is a fiduciary or partnership or other than the sole beneficial owner of the applicable debt security to the extent the payment would be required by the laws of a taxing jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to the fiduciary or a member of the partnership or a beneficial owner who would not have been entitled to these additional amounts had it been a holder. Whenever the payment of principal of, or any premium or interest on, any debt security is mentioned in an indenture in any context, the mention will be deemed to include the payment of additional amounts to the extent that, in the context of the discussion, additional amounts are, were or would be payable with respect to the applicable debt security. Redemption for Taxation Reasons The debt securities may be redeemed for cash, at our option, as a whole but not in part, at any time, at a redemption price equal to the principal amount (or accreted value) of the applicable debt security, together with accrued interest to the date fixed by us for redemption and additional amounts, if as a result of any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of Japan or the jurisdiction of organization of any successor entity (or any political subdivision or taxing authority of such jurisdiction) affecting taxation, or any change in official position regarding the application or interpretation of these laws, treaties, regulations or rulings (including a holding, judgment, or order by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after the date of the issuance of the applicable debt security, in the case of ourselves, or on or after the date a successor assumes our obligations under the applicable debt security, in the case of any successor, we are, or on the next interest payment date would be, required to pay any additional amounts for the applicable debt security which cannot be avoided by measures reasonably available to us. We shall give not less than 30 nor more than 60 days' irrevocable notice to the holders of the applicable debt securities being redeemed for taxation reasons, provided that we may not give a notice of redemption earlier than 90 days prior to the earliest date on which we would be obligated to make the withholding if a payment in respect of the applicable debt securities were then due. Prior to the publication and mailing of any notice of redemption of the debt securities pursuant to the foregoing, we will (a) certify to the applicable trustee that the conditions precedent to the right to redeem the debt securities have occurred and (b) deliver to the applicable trustee an opinion of an independent counsel or tax consultant of recognized standing to the effect that the circumstances referred to above exist. The applicable trustee shall accept the opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders. Senior Debt The senior debt securities will be issued under the senior debt indenture and will rank on an equal basis with all of our other unsecured debt except subordinated debt. 33 Senior Subordinated Debt The senior subordinated debt securities will be issued under the subordinated debt indenture. Upon the occurrence of any of the following subordination events, the senior subordinated debt securities will be subordinated to the extent described below. .. If a Japanese court has adjudicated us to be bankrupt pursuant to the provisions of the Japanese Bankruptcy Law (Law No. 71 of 1922), and so long as the bankruptcy proceedings are continuing, any amounts payable under the senior subordinated debt securities, except for the amounts which have become due and payable prior to the occurrence of the event described in this paragraph, shall only become due if the total amount of any and all of our senior indebtedness, as described below, which is listed on the final distribution list prepared by the administrator, as defined below, for the final distribution of bankruptcy assets pursuant to the Bankruptcy Law is paid in full or provision has been made for the payment in full of the listed senior indebtedness pursuant to the Bankruptcy Law. .. If a Japanese court has commenced corporate reorganization proceedings with respect to us pursuant to the Japanese Corporate Reorganization Law (Law No. 172 of 1952), and so long as the corporate reorganization proceedings are continuing, any amounts payable under the senior subordinated debt securities, except for the amounts which have become due and payable prior to the occurrence of the event described in this paragraph, shall only become due if the total amount of any and all of our senior indebtedness which is listed on our reorganization plan at the date the plan has become final and conclusive after approval by a court of competent jurisdiction in Japan, as our indebtedness subject to modification in the plan, is paid in full to the extent of the original amount of the indebtedness without regard to the modification. .. If a Japanese court has commenced civil rehabilitation proceedings with respect to us pursuant to the provisions of the Japanese Civil Rehabilitation Law (Law No. 225 of 1999), and so long as the civil rehabilitation proceedings are continuing, any amounts payable under the senior subordinated debt securities, except for the amounts which have become due and payable prior to the occurrence of the event described in this paragraph, shall only become due if the total amount of any and all of our senior indebtedness which is listed on the our rehabilitation plan at the date the plan has become final and conclusive after approval of a court of competent jurisdiction in Japan, as our indebtedness subject to modification in the plan, is paid in full to the extent of the original amount of the indebtedness without regard to the modification. Holders of senior subordinated debt securities must return and deliver any payments received by them after an occurrence of one of the events described above in excess of what they are entitled to under the applicable paragraph. Holders of senior subordinated debt securities also agree by the acceptance of those securities that, upon an occurrence of one of the events described above, and so long as the event shall continue, the holders shall not be entitled to exercise any right to set off any of our liabilities under the applicable securities, except for those amounts which have become due and payable prior to the date on which the event shall have occurred, against any liabilities of the relevant holder owed to us unless and until the holder shall have become entitled to payment of our liabilities under the applicable securities under the restrictions of the relevant paragraph. (Subordinated Debt Indenture, Section 1303.) As used above, .. "administrator" means the person or persons appointed pursuant to the Japanese Bankruptcy Law in our bankruptcy whose purpose is to realize our assets and pay, insofar as possible, our debts; and .. "senior indebtedness" means all of our liabilities (including those in respect of bonds, notes and debentures) other than - liabilities under senior subordinated securities and senior subordinated guarantees issued by us which have not become due and payable prior to the occurrence of a subordination event, and - other liabilities ranking equal in right of payment with or junior to the senior subordinated securities. 34 Junior Subordinated Debt The junior subordinated debt securities will be issued under the subordinated debt indenture. Each series of junior subordinated debt securities will be issued as perpetual securities with no fixed date of maturity. Deferral of Interest. If, on any interest payment date for a series of junior subordinated debt securities, all of the following conditions are met: .. the amount of the profits we may distribute to shareholders in any fiscal year pursuant to Article 290 of the Commercial Code of Japan and Japanese banking regulations, as derived from our audited non-consolidated financial statements prepared in accordance with Japanese law and approved at our general meeting of the shareholders immediately prior to the interest payment date, exceeds zero; .. our total risk-based capital ratio calculated either on a consolidated basis and reported to Japanese regulatory authorities in our most recent operation report is equal to or more than half of the minimum total risk-based capital ratio required under the Japanese Banking Law (Law No. 59 of 1981); and .. we are not insolvent at the time of the payment of interest in respect of the junior subordinated debt securities and the payment of interest in respect of the junior subordinated debt securities would not cause us to become insolvent, then any interest that has accrued on the applicable junior subordinated debt securities but has not yet been paid will be due and payable on the applicable interest payment date. Any interest arrears in respect of junior subordinated debt securities will become due and payable on the earlier of .. the first interest payment date on which all of the conditions listed above are met; and .. the date upon which the principal of the junior subordinated debt securities becomes due and payable, subject to the subordination provisions described below. If payment of interest is deferred as described above, no additional interest will accrue on the deferred amounts. However, where we otherwise default in the payment of any interest due and payable on our junior subordinated debt securities and the default continues for a period of 30 days or more, interest shall accrue on any defaulted amount from and including the due date for payment to but excluding the date of full payment of that amount at the rate of interest applicable to the relevant series of junior subordinated debt securities. In determining whether we are insolvent at the time of the payment in respect of the junior subordinated debt securities, we will be insolvent if our total liabilities exceed our total assets. For purposes of this paragraph, total assets and total liabilities are each calculated on a non-consolidated basis as shown by our latest audited non-consolidated balance sheet prepared in accordance with Japanese law but adjusted for subsequent events, and valued in a manner as may be determined by our representative director, auditor or the liquidator, as the case may be. Redemption. Junior subordinated debt securities have no maturity and will only be redeemable or repayable in accordance with the paragraphs under "--Redemption for Taxation Reasons" or as specified in the applicable prospectus supplement or if one of the following three conditions for liquidation payment occurs: .. in the event of our liquidation, all priority indebtedness held by our creditors entitled to payment or satisfaction prior to commencement of distribution of residual assets to shareholders is paid or otherwise satisfied in full pursuant to the provisions of the Japanese Commercial Code; .. in the event of our reorganization where a decree of approbation of a corporate reorganization plan for our liquidation becomes final and conclusive, all of our priority indebtedness appearing in the plan at the date the decree becomes final and conclusive is paid or otherwise satisfied in full without giving effect to any modification or reduction stipulated in the plan; or 35 .. in the event of our civil rehabilitation where a decree of approbation of a rehabilitation plan for our liquidation becomes final and conclusive, all of our priority indebtedness appearing in the plan at the date the decree becomes final and conclusive is paid or otherwise satisfied in full without giving effect to any modification or reduction stipulated in the plan. Following the occurrence of any condition listed above, junior subordinated securities will only be redeemable or repayable to the extent that the aggregate of: . the amount of any payment of principal on the junior subordinated debt securities, except for amounts which shall have become due and payable prior to the occurrence of such condition for liquidation payment, .. the amount of any payment of interest on the junior subordinated debt securities, except for amounts which shall have become due and payable prior to the occurrence of such condition for liquidation payment, and .. the liquidation distribution in respect of all other securities with the same liquidation preference as the junior subordinated debt securities, does not exceed the liquidation distributions that would have been paid from our assets had the principal amount and interest amount on the junior subordinated debt securities and the other securities with the same liquidation preference as the junior subordinated debt securities been our preference shares ranking most senior in priority of payment as to liquidation distributions. Securities with the same liquidation preference as the junior debt securities are: .. any of our preference shares ranking most senior in priority of payment as to liquidation distributions, .. any preferred or preference shares of any affiliate of ours which are entitled to the benefits of our guarantee ranking equal in priority of payments as to liquidation distributions with the junior subordinated debt securities, and .. any other of our liabilities with terms and conditions substantially equivalent or subordinate in priority of payment as to liquidation distributions to the junior subordinated debt securities. Priority indebtedness for these purposes means all of our liabilities, including those in respect of bonds, notes and debentures, and including senior subordinated securities and any guarantees ranking equal in priority of payment with senior subordinated securities, other than .. liabilities under junior subordinated securities and junior subordinated guarantees issued by us which have not become due and payable prior to the occurrence of a subordination event; and .. other liabilities with terms and conditions substantially equivalent or subordinate in priority of payment as to liquidation distributions to the junior subordinated securities. The effect of using this method to calculate the amount payable with respect to junior subordinated debt securities is that, in the event of a liquidation, reorganization or civil rehabilitation, the claims of the holders of junior subordinated debt securities will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of holders of senior subordinated securities and any claims ranking equally in right of payment with senior subordinated securities, including our senior subordinated guarantees. Terms of Subordination. Upon the occurrence of any of the following subordination events: .. a Japanese court having adjudicated us to be bankrupt pursuant to the provisions of the Japanese Bankruptcy Law; .. a Japanese court having commenced corporate reorganization proceedings with respect to us pursuant to the provisions of the Japanese Corporate Reorganization Law; or .. a Japanese court having commenced civil rehabilitation proceedings with respect to us pursuant to the provisions of the Japanese Civil Rehabilitation Law, 36 and for so long as such event is continuing, we will not be permitted to make any payment of principal of or interest on any series of junior subordinated debt securities, except for amounts which became due and payable prior to the occurrence of the event, unless and until such payments are made in accordance with the provisions described under "--Redemption" above. Holders of junior subordinated debt securities must return and deliver any payments received by them after an occurrence of one of the events described above in excess of what they are entitled to under the applicable paragraph. Holders of junior subordinated debt securities also agree by the acceptance of the securities that, upon an occurrence of one of the events described above, and so long as the event shall continue, the holders shall not be entitled to exercise any right to set off any of our liabilities under the applicable securities, except for those amounts which have become due and payable prior to the date on which the event shall have occurred, against any liabilities of the relevant holder owed to us. (Subordinated Debt Indenture, Section 1303.) Covenants Our covenants and agreements relating to a series of debt securities will be set forth in the applicable prospectus supplement. Consolidation, Merger, Conveyance or Transfer The indentures contain provisions permitting us, without the consent of the holders of debt securities, to consolidate with or merge into any other corporation or convey or transfer our assets substantially as an entirety to any person or persons, provided that the successor corporation or corporations, if an entity other than ourselves, assumes our obligations on the debt securities and under the indentures and certain other conditions are met. (Section 801.) Indemnification of Judgment Currency We will indemnify each holder of debt securities against any loss incurred as a result of a judgment or order being made for any amount due under the applicable debt securities if the judgment or order is expressed and paid in a currency other than the currency in which the applicable debt securities are denominated and there is a difference between .. the rate of exchange at which the currency in which the securities are denominated is converted into the other currency for the purpose of the judgment or order, and .. the spot rate of exchange at which the holder on the date that payment is made pursuant to the judgment or order is able to purchase the currency in which the securities are denominated with the amount of the other currency actually received by the holder. Modification of the Indentures Under the indentures, we and the relevant trustee can enter into supplemental indentures to establish the form and terms of any new series of debt securities without obtaining the consent of any holder of debt securities. (Section 901.) We and the trustee may, with the consent of the holders of at least 66 2/3% in aggregate principal amount of the debt securities of a series, modify the applicable indenture or the rights of the holders of the securities of the series to be affected. No modification may, without the consent of the holder of each outstanding security so affected: .. change the stated maturity of any such securities or of any installment of principal of any such securities; .. reduce the rate or change the time of payment of interest on such securities; 37 .. reduce the principal amount of the securities or the premium, if any, on the securities; .. change any of our obligations to pay additional amounts; .. reduce the amount of the principal of any securities issued originally at a discount; .. change the currency or currency unit in which any securities are payable or the right of selection thereof; .. impair the right to sue for the enforcement of any of the payments listed above on or after the maturity of the securities; .. reduce the percentage of securities referred to above whose holders need to consent to the modification or a waiver; or .. change any of our obligations to maintain an office or agency. (Section 1002.) In addition, the subordination provisions of the subordinated debt indenture may not be amended in any respect if the amendment would in any way be prejudicial to or impair the benefits of the subordination provision extending to any present or future creditor in respect of, in the case of the senior subordinated debt, any senior indebtedness or, in the case of the junior subordinated debt, any priority indebtedness. (Subordinated Debt Indenture, Section 1304.) Defaults Senior Debt Events of Default. The senior debt indenture provides that events of default regarding any series of senior debt securities will be: .. failure to pay interest on any debt security of the series for 30 days or more after it becomes due and payable; .. failure to pay principal or premium, if any, on any debt security of the series when due; .. acceleration by or on behalf of the holder of any indebtedness for external borrowings by the issuer, if not cured within a specified period of time; .. failure to perform for 90 days after notice any other covenant in the relevant indenture other than a covenant included in the relevant indenture solely for the benefit of a series of debt securities other than the series; .. certain events of bankruptcy or insolvency, whether voluntary or not (Section 501.); and .. any other event of default provided in the applicable debt security. If an event of default regarding debt securities of any series issued under the senior debt indenture should occur and be continuing, either the trustee or the holders of 25% in the principal amount of outstanding debt securities of the series may declare each debt security of that series to be due and payable. (Section 502.) Limited Rights to Accelerate Subordinated Debt Securities. The trustee or holders of 25% of the principal amount of the senior subordinated debt securities outstanding in a series will only be able to demand immediate payment of principal of the series after the beginning of bankruptcy, corporate reorganization proceedings or civil rehabilitation proceedings described under "--Senior Subordinated Debt" above. If a court of competent jurisdiction with respect to us (1) rescinds a declaration of bankruptcy without a distribution of assets pursuant to the Japanese Bankruptcy Law, (2) rescinds or terminates a reorganization proceeding without approving the plan of reorganization under the Japanese Corporate Reorganization Law or (3) rescinds or terminates a civil rehabilitation proceeding without approving the plan of rehabilitation under the Japanese Civil Rehabilitation Law, then the commencement of the bankruptcy, corporate reorganization proceeding or civil rehabilitation proceeding shall have the same effect as if it had not occurred. Junior subordinated debt securities will only become due and payable upon the occurrence of a condition for liquidation payment and subject to the restrictions described under "--Junior Subordinated Debt" above. 38 Other Provisions We are required to file annually with the trustee a statement of an officer as to our fulfillment of our obligations under the indenture during the preceding year. (Section 1005.) No event of default regarding one series of debt securities issued under an indenture is necessarily an event of default regarding any other series of debt securities. (Section 501.) Holders of a majority in principal amount of the outstanding debt securities of any series will be entitled to control certain actions of the trustee under the indentures and to waive past defaults regarding the series. (Sections 512 and 513.) The trustee generally will not be required to comply with requests, orders or directions by any of the holders of debt securities, unless one or more of the holders shall have offered to the trustee security or indemnity satisfactory to the trustee. (Section 603.) If an event of default or acceleration event occurs and is continuing regarding a series of debt securities, the trustee may use any sums that it holds under the relevant indenture for its own reasonable compensation and expenses incurred prior to paying the holders of debt securities of the series. (Section 506.) Before any holder of any series of debt securities may institute action for any remedy, except payment on the holder's debt security when due, the holders of not less than 25% in principal amount of the debt securities of that series outstanding must request the trustee to take action. Holders must also offer reasonable indemnity satisfactory to the trustee against liabilities which may be incurred by the trustee for taking the action. (Sections 507.) Defeasance of Senior Debt Securities Except as may otherwise be set forth in an accompanying prospectus supplement, after we have deposited with the trustee, cash or government securities, in trust for the benefit of the holders sufficient to pay the principal of, premium, if any, and interest on the senior debt securities of a series when due, then: .. if the terms of the senior debt securities so provide, we will be deemed to have paid and satisfied our obligations on all outstanding debt securities of that series, which is known as "defeasance and discharge" (Section 1302); or .. we will cease to be under any obligation, other than to pay when due the principal of, premium, if any, and interest on that senior debt securities, relating to the senior debt securities of that series, which is known as "covenant defeasance." (Section 1303.) When there is a defeasance and discharge, (1) the applicable indenture will no longer govern the debt securities of that series, (2) we will no longer be liable for payment and (3) the holders of the senior debt securities will be entitled only to the deposited funds. When there is a covenant defeasance, however, we will continue to be obligated to make payments when due if the deposited funds are not sufficient. The obligations and rights under the senior debt indenture regarding compensation, reimbursement and indemnification of the trustee, optional redemption, mandatory and optional scheduled installment payments, if any, registration of transfer and exchange of the senior debt securities of the series, replacement of mutilated, destroyed, lost or stolen senior debt securities and certain other administrative provisions will continue even if we exercise our defeasance and discharge or covenant defeasance options. (Senior Debt Indenture, Sections 1302 and 1303.) Tax Condition to any Defeasance. We must deliver to the trustee an opinion of counsel to the effect that the holders of the debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the deposit and defeasance and discharge or covenant defeasance and that U.S. federal income tax would be imposed on the holders in the same manner as if the defeasance and discharge had not occurred. In the case of a defeasance and discharge, the opinion must be based upon a ruling or administrative pronouncement of the U.S. Internal Revenue Service. 39 Global Securities The debt securities offered by this prospectus may be issued in the form of one or more global certificates that will be deposited with a depositary identified in a prospectus supplement. Unless a global certificate is exchanged in whole or in part for debt securities in definitive form, a global certificate may generally be transferred only as a whole and only to the depositary or to a nominee of the depositary or to a successor depositary or its nominee. Unless otherwise indicated in any prospectus supplement, The Depositary Trust Company, or DTC, will act as depositary. In that case, the debt securities will be issued as fully-registered securities registered in the name of Cede & Co., acting as nominee for DTC, or such other name as may be requested by an authorized representative of DTC. Beneficial interests in global certificates will be shown on records maintained by DTC and its participants, and transfers of beneficial interests in global certificates will be effected only through these records. DTC has provided us the following information, and we take no responsibility for its accuracy. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Exchange Act. DTC holds debt securities that its participants deposit with DTC. DTC also facilitates the clearance and recording of the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts. This eliminates the need for physical exchange of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Other organizations such as securities brokers and dealers, banks and trust companies that work through a participant, either directly or indirectly use DTC's book-entry system. The rules that apply to DTC and its participants are on file with the SEC. Pursuant to DTC's procedures, upon the sale of debt securities represented by a global certificate to underwriters, DTC will credit the accounts of the participants designated by the underwriters with the principal amount of the debt securities purchased by the underwriters. Ownership of beneficial interests in a global certificate will be shown on DTC's records (with respect to participants), by the participants (with respect to indirect participants and certain beneficial owners) and by the indirect participants (with respect to all other beneficial owners). The laws of some states require that certain persons take physical delivery in definitive form of the debt securities that they own. Consequently, the ability to transfer beneficial interests in a global certificate may be limited. We will wire to DTC's nominee principal and interest payments with respect to any debt securities offered under this prospectus that are issued in the form of global certificates. We and any trustee under the indentures will treat DTC's nominee as the owner of the global certificates for all purposes. Accordingly, we and the trustees and the paying agents will have no direct responsibility or liability to pay amounts due on the global certificates to owners of beneficial interests in the global certificates. It is DTC's current practice, upon receipt of any payment of principal or interest, to credit participants' accounts on the payment date according to their beneficial interests in the global certificates as shown on DTC's records. Payments by participants to owners of beneficial interests in the global certificates will be governed by standing instructions and customary practices between the participants and the owners of beneficial interests in the global certificates, as is the case with debt securities held for the account of customers registered in "street name." Owners of beneficial interests in the global certificates may have to provide information relating to their jurisdiction of residency for Japanese withholding tax purposes, as described under "Taxation--Japanese Taxation" below. However, payments will be the responsibility of the participants and not of DTC, the trustees or us. Debt securities of any series represented by a global certificate will be exchangeable for securities in definitive form with the same terms in authorized denominations only if: .. DTC notifies us that it is unwilling or unable to continue as depositary, or DTC is no longer eligible to act as depositary, and we do not appoint a successor depositary within 90 days; or .. We determine not to have the securities represented by global certificates and notify the applicable trustee of our decision. 40 Concerning the Trustees We have had, and may continue to have, various business relationships with the trustees in the ordinary course of business. Governing Law The debt securities and the indentures will be governed by and construed in accordance with the laws of the State of New York, except with respect to their authorization and execution by us, which will be governed by the laws of Japan. Consent to Service of Process and Submission to

Jurisdiction Under the indentures, we irrevocably designate The Bank of Tokyo-Mitsubishi, Ltd., Headquarters for the Americas, 1251 Avenue of the Americas, New York, New York, 10020 (Attention: General Counsel) as our authorized agent for service of process in any legal action or proceeding arising out of or relating to the indentures or any debt securities brought in any federal or state court in The City of New York, New York, and we irrevocably submit to the jurisdiction of those courts. 41 TAXATION Japanese Taxation Common Stock and American Depositary Shares The following sets forth the material Japanese tax consequences to owners of shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable, which we refer to as "non-resident holders" in this section. The statements regarding Japanese tax laws below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date of this prospectus and are subject to changes in the applicable Japanese laws or double taxation treaties, conventions or agreements, or interpretations occurring after that date. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers. For the purpose of Japanese tax law and the Tax Convention (as defined below), a U.S. holder of ADSs will be treated as the owner of the shares underlying the ADSs evidenced by the ADRs. Generally, a non-resident holder of shares or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 20%. Japan has income tax treaties, conventions or agreements whereby this withholding tax rate is reduced to, in most cases, 15% for portfolio investors, with, among other countries, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which we refer to as the Tax Convention, established the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a United States resident not having a permanent establishment in Japan. Under the Tax Convention, the maximum withholding rate for U.S. shareholders and U.S. holders of ADSs is generally limited to 15% of the gross amount distributed. However, the maximum rate is 10% of the gross amount distributed if the recipient is a corporation and (1) during the part of the paying corporation's taxable year, which precedes the date of payment of the dividend and during the whole of its prior taxable year, if any, at least 10% of the voting shares of paying corporation were owned by the recipient corporation, and (2) not more than 25% of the gross income of the paying corporation for such prior taxable year, if any, consisted of interest or dividends as defined in the Tax Convention. Non-resident holders of shares who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident holders may provide this application service for the non-resident holders. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty. Gains derived from the sale or other disposition of shares or ADSs by a non-resident holder are not subject to Japanese income or corporation taxes or other Japanese taxes. Any deposits or withdrawals of shares by a non-resident holder in exchange for ADSs are not subject to Japanese income or corporation tax. 42 Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired shares or ADSs as legatee, heir or donee, even if the individual is not a Japanese resident. Debt Securities Payment of interest of debt securities issued from April 1, 1998 to March 31, 2004 outside Japan by us or our paying agents to non-resident holders of debt securities will be exempt from Japanese withholding tax. In order to be exempt from Japanese withholding tax, each non-resident holder must comply with procedures for establishing its status in accordance with the requirements of Japanese law. Under current Japanese practice, we and our paying agents may determine our withholding obligations in respect of debt securities held through a qualified clearing organization in reliance on certifications we received from the qualified clearing organization. In these cases, we do not need to obtain certifications directly from the ultimate beneficial owners of the debt securities. As part of the procedures under which these certifications are given, a beneficial owner may be required to establish that it is a non-resident holder to the person or entity through which it holds the debt securities. If a non-resident holder does not hold its debt securities through a qualified clearing organization, the non-resident holder will be required to deliver to our paying agents a claim for exemption from Japanese withholding tax and documentation concerning its identity and residence in order to receive interest payments on the debt securities free of Japanese withholding tax. We or our paying agents may adopt modified or supplemental certification procedures to the extent necessary to comply with changes in Japanese law or administrative practice. Gains derived from the sale of debt securities within or outside Japan by a non-resident holder are, in general, not subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual, regardless of his or her place of residence, who has acquired debt securities as a legatee, heir or donee, even if neither the individual nor the decent nor the donor is a Japanese resident. No stamp, issue, registration or similar taxes or duties, will, under present Japanese law, be payable by holders of debt securities in connection with the issue of the debt securities. There are no Japanese taxes payable on the conversion of convertible debt securities. U.S. Taxation The following sets forth the material United States federal income tax consequences of the ownership of shares, ADSs or debt securities by a U.S. holder, as defined below. This summary is based on United States federal income tax laws, including the United States Internal Revenue Code of 1986, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the Tax Convention, all of which are subject to change, possibly with retroactive effect. The following summary is not a complete analysis or description of all potential United States federal income tax consequences to a particular U.S. holder. It does not address all United States federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks, insurance companies, dealers, tax-exempt entities, non-U.S. persons, persons holding a share, an ADS or a debt security as part of a straddle, hedging, conversion or integrated transaction, holders whose "functional currency" is not the U.S. dollar, holders liable for alternative minimum tax and holders of 10% or more of our voting shares) are subject to special tax treatment. It does not address any state or local tax consequences of an investment in shares, ADSs or debt securities. This summary addresses only shares, ADSs or debt securities held as capital assets. 43 As used herein, a "U.S. holder" is a beneficial owner of shares, ADSs or debt securities, as the case may be, that is, for United States federal income tax purposes: .. a citizen or resident of the United States, .. a corporation, or other entity taxable as a corporation, organized in or under the laws of the United States or of any political subdivision thereof, or . an estate or trust the income of which is subject to United States federal income taxation regardless of its source. Common Stock and American Depositary Shares This summary is based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with their respective terms. For United States federal income tax purposes, holders of ADSs will be treated as the owners of the shares represented by the ADSs. The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. holders of ADSs. Accordingly, the discussion on the creditability of Japanese taxes described below could be affected by future actions that may be taken by the U.S. Treasury. Special adverse United States federal income tax rules apply if a U.S. holder holds shares or ADSs of a company that is treated as a "passive foreign investment company" (a "PFIC") for any taxable year during which the U.S. holder held shares or ADSs. Based upon proposed Treasury Regulations which are not yet in effect but are proposed to become effective for taxable years beginning after December 31, 1994 or, for electing taxpayers, for taxable years beginning after December 31, 1986, and upon certain management estimates, we do not expect Mitsubishi Tokyo Financial Group, Inc. to be a PFIC for United States federal income tax purposes in the current year or in future years. However, there can be no assurance that the described proposed regulations will be finalized in their current form, and the determination of whether Mitsubishi Tokyo Financial Group, Inc. is a PFIC is based upon, among other things, the composition of our income and assets and the value of our assets from time to time. Taxation of Dividends. U.S. holders will include the gross amount of any dividends received with respect to shares or ADSs (before reduction for Japanese withholding taxes), to the extent paid out of the current or accumulated earnings and profits (as determined for United States federal income tax purposes) of Mitsubishi Tokyo Financial Group, Inc., as ordinary income in their gross income. The dividend will not be eligible for the "dividends-received deduction" allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend will be the U.S. dollar value of the Japanese yen payments received. This value will be determined at the spot Japanese yen/U.S. dollar rate on the date the dividend is received by the depositary in the case of U.S. holders of ADSs, or by the shareholder in the case of U.S. holders of shares, regardless of whether the dividend payment is in fact converted into U.S. dollars at that time. If a U.S. holder realizes gain or loss on a sale or other disposition of Japanese yen, it will generally be U.S. source ordinary income or loss. Subject to certain limitations, the Japanese tax withheld in accordance with the Tax Convention will be creditable against the U.S. holder's United States federal income tax liability. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we pay will constitute "passive income" or, in the case of certain U.S. holders, "financial services income." Taxation of Capital Gains. Upon a sale or other disposition of shares or ADSs, a U.S. holder will recognize a gain or loss in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis, determined in U.S. dollars, in such shares or ADSs. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for such shares or ADSs exceeds one year. Any such gain or loss will be income or loss from sources within the United States for foreign tax credit limitation purposes. 44 Any deposits and/or withdrawals of shares made with respect to ADSs are not subject to United States federal income tax. Information Reporting and Backup Withholding. Dividends paid on shares or ADSs to a U.S. holder, or proceeds from a U.S. holder's sale or other disposition of shares or ADS, may be subject to information reporting requirements. Those dividends or proceeds from sale or disposition may also be subject to backup withholding unless the U.S. holder: .. is a corporation or comes within certain other categories of exempt recipients, and, when required, demonstrates this fact, or . provides a correct taxpayer identification number on a properly completed U.S. Internal Revenue Service, or the "IRS," Form W-9 or substitute form, certifies that that the U.S. holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules will be creditable against the U.S. holder's United States federal income tax liability or refundable to the extent that it exceeds such liability if the U.S. holder provides the required information to the IRS. If a U.S. holder is required to and does not provide a correct taxpayer identification number, the U.S. holder may be subject to penalties imposed by the IRS. Debt Securities The following discussion addresses only original investors who purchase debt securities at their original offering price, which will be the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the debt securities in a particular issue is sold for money, and it assumes that debt securities are not offered at a discount. Rules under the Code relating to original issue discount, amortizable bond premium or market discount may, under specified circumstances, apply to investors who purchase debt securities at a time other than their initial offering or at a price other than the initial offering price. These investors should consult their own tax advisors as to the possible applicability of such rules. A prospectus supplement provided in connection with the offering of debt securities may contain further discussion of the tax considerations relevant to particular debt securities. A prospectus supplement provided in connection with any offering of convertible securities or exchangeable securities will contain further information on the United States federal income tax considerations with respect to such securities. Interest. Interest paid on debt securities (including any additional amounts) will be taxable as ordinary income at the time it is received or accrued, depending on the U.S. holder's regular method of accounting for tax purposes. For foreign tax credit limitation purposes, interest paid on debt securities will be income from sources outside the United States. However, this generally will be treated separately, together with other items of "passive income" or, in the case of certain U.S. holders, "financial services income." Sales or other dispositions. A U.S. holder will recognize capital gain or loss on the sale, retirement or other disposition of debt securities in an amount equal to the difference between the amount realized (other than amounts attributable to accrued but unpaid interest, which will be taxed in the manner discussed under "-- Interest" above) and the U.S. holder's tax basis in the debt securities. Such gain or loss will be long-term capital gain or loss if the holding period for the debt securities exceeds one year at the time of disposition. The ability to deduct capital losses may be limited. Gain generally will be income from sources within the United States for foreign tax credit limitation purposes. 45 Information Reporting and Backup Withholding. Proceeds from the sale, retirement or other disposition of debt securities, or interest paid on debt securities, may be subject to information reporting requirements. Those proceeds or interest may also be subject to backup withholding unless the U.S. holder: .. is a corporation or comes within certain other categories of exempt recipients, and, when required, demonstrates this fact, or .. provides a correct taxpayer identification number on a properly completed IRS Form W-9 or substitute form, certifies that the U.S. holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules will be creditable against the

U.S. holder's United States federal income tax liability or refundable to the extent that it exceeds such liability if the U.S. holder provides the required information to the IRS. If a U.S. holder is required to and does not provide a correct taxpayer identification number, the U.S. holder may be subject to penalties imposed by the IRS. We urge U.S. holders to consult their own tax advisors concerning the United States federal, state and local and other tax consequences to them of the purchase, ownership and disposition of shares, ADSs or debt securities. 46 PLAN OF DISTRIBUTION We may offer the securities described in this prospectus, and Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, as selling shareholders, may offer shares of our common stock that they hold, in one or more of the following ways from time to time: .. to or through underwriters or dealers; .. by ourselves or by them directly; .. through agents; .. through one or more special purpose entities; .. by entering into securities loan agreements with underwriters or dealers; .. through an exchange distribution in accordance with the rules of the applicable exchange; .. through the issuance of subscription rights to shareholders; or .. through a combination of any of these methods of sale. The prospectus supplement relating to an offering of securities will set forth the terms of the offering, including: .. a description of the transaction and the securities to be offered; .. the name or names of any underwriters, dealers or agents; .. the names of selling shareholders, if any; .. the number of shares of common stock held by each of the selling shareholders immediately before the offering; .. the number of shares of common stock to be sold by each of the selling shareholders, if any; .. the percentage of the common stock held by each of the selling shareholders after the offering; .. the purchase price of the securities and the proceeds we or the selling shareholders will receive from the sale; .. any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation; .. the initial public offering price; .. any discounts or concessions to be allowed or reallowed or paid to dealers; and .. any securities exchanges, if any, on which the securities may be listed. Any initial public offering prices, discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time. If underwriters are used in an offering of the securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be either offered to the public through underwriting syndicates represented by one or more managing underwriters or by one or more underwriters without a syndicate. Unless otherwise set forth in the prospectus supplement, the underwriters will not be obligated to purchase securities that are offered unless specified conditions are satisfied, and if the underwriters do purchase any securities, they will purchase all securities that are offered. 47 In connection with underwritten offerings of the securities offered by this prospectus and in accordance with applicable law and industry practice, underwriters may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the securities offered by this prospectus at levels above those that might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids, each of which is described below. .. A stabilizing bid means the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security. .. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering. .. A penalty bid means an arrangement that permits the managing underwriter to reclaim a selling concession from a syndicate member in connection with the offering when offered securities originally sold by the syndicate member are purchased in syndicate covering transactions. These transactions may be effected on the New York Stock Exchange, the Tokyo Stock Exchange, the Osaka Securities Exchange or the London Stock Exchange, in the over-the-counter market, or otherwise. Underwriters are not required to engage in any of these activities, or to continue these activities if commenced. If dealers are utilized in the sale of securities offered by this prospectus, we or the selling shareholders will sell the securities to the dealers as principals. The dealers may then resell the securities to the public at varying prices to be determined by the dealers at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the prospectus supplement relating to that transaction. In the event an NASD member participates in a public offering of the securities: (a) the actual price and selling terms will be disclosed in post-effective amendments or prospectus supplements; (b) maximum compensation to be received by any NASD member in this distribution will be disclosed and submitted for approval with the Department; and (c) prior to the commencement of the distribution, underwriting documents proposed for use will be submitted to the Department for review. The maximum commission or discount to be received by any NASD member or independent broker-dealer will not be greater than 8% for the sale of any securities registered hereby. Securities may be sold directly by us or the selling shareholders to one or more institutional purchasers, or through agents designated by us or the selling shareholders from time to time, at a fixed price or prices, which may be changed, or at varying prices determined at the time of sale. Any agent involved in the offer or sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us or the selling shareholders to the agent will be set forth, in the prospectus supplement relating to that offering. Unless otherwise indicated in the applicable prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment. If so indicated in the applicable prospectus supplement, we or the selling shareholders will authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase offered securities from us or the selling shareholders or both, at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. These contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of the contracts. Underwriters, dealers and agents may be entitled, under agreements with us and/or the selling shareholders, to indemnification by us and/or the selling shareholders relating to material misstatements or omissions. In addition, we may indemnify the selling shareholders against losses, claims, damages and liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, us and our subsidiaries or affiliates in the ordinary course of business. 48 Each series of debt securities offered by this prospectus will be a new issue of securities and will have no established trading market. Any underwriters to whom offered securities are sold for public offering and sale may make a market in the offered securities, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The securities offered by this prospectus may or may not be listed on a national securities exchange. No assurance can be given that there will be a market for any debt securities offered by this prospectus. The selling shareholders and any dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with those sales. In that event, any commissions received by the dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Because the selling shareholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, the selling shareholders will be subject to the prospectus delivery requirements of the Securities Act. We have informed the selling shareholders that the anti-manipulative provisions of Regulation M under the Exchange Act may apply to their sales in the market. Mitsubishi Tokyo Financial Group will not directly receive any proceeds from the sale of shares of common stock or any other securities by the selling shareholders. Mitsubishi Tokyo Financial Group may, however, bear certain expenses in connection with the registration of the securities being offered under this prospectus by the selling shareholders, including all costs incident to the offering and sale of the securities to the public other than any commissions and discounts of underwriters, dealers or agents and any transfer taxes. 49 LEGAL MATTERS Paul, Weiss, Rifkind, Wharton & Garrison, our U.S. counsel, will pass for us upon the validity of the debt securities under New York law and upon certain U.S. federal income tax matters. The address of Paul, Weiss, Rifkind, Wharton & Garrison is 1285 Avenue of the Americas, New York, New York 10019-6064. Hamada and Matsumoto, our Japanese counsel, will pass upon the validity of the shares of common stock and upon certain Japanese tax matters. The address of Hamada and Matsumoto is Kasumigaseki Building 25/th/ Floor, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 160-6025, Japan. EXPERTS The consolidated financial statements incorporated by reference in the registration statement and this prospectus from our Annual Report on Form 20-F have been audited by Deloitte Touche Tohmatsu, independent auditors, as stated in their report, being incorporated herein by reference (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the change in method of accounting for derivative financial instruments and hedging activities), and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. Deloitte Touche Tohmatsu's address is MS Shibaura Building, 13-23, Shibaura 4-chome, Minato-ku, Tokyo, 108-8530, Japan. WHERE YOU CAN OBTAIN MORE INFORMATION We file annual reports, special reports and other information with the SEC. You may read and copy any document filed with the SEC at the SEC's public reference rooms at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices. Please call the SEC at (800) SEC-0330 for further information on the public reference rooms. The SEC also maintains a web site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC (http://www.sec.gov). We are currently exempt from the rules under the U.S. Securities Exchange Act of 1934 that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We are not required under the Exchange Act to publish financial statements as frequently or as promptly as are U.S. companies subject to the Exchange Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will issue interim press releases containing unaudited results of operations as well as such other reports as may from time to time be authorized by our board of directors or as may be otherwise required. INCORPORATION OF DOCUMENTS BY REFERENCE The SEC allows us to "incorporate by reference" in this prospectus some or all of the documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information in a document that is incorporated by reference is considered to be a part of this prospectus. We incorporate by reference our Annual Report on Form 20-F for the fiscal year ended March 31, 2002, filed on August 12, 2002. In addition, the description of common stock and ADSs set forth in our predecessor's registration statement on Form 20-F, dated June 30, 1989, registering the ADSs and common stock under the Exchange Act, as the description has been amended by our Annual Report on Form 20-F dated August 12, 2002, is incorporated by reference. In addition, all documents that we file with the SEC on Forms 10-Q and 8-K in the future pursuant to the Exchange Act, any future reports on Form 6-K that indicate they are incorporated into this registration statement and any future Annual Reports on Form 20-F, Form 40-F or Form 10-K after the date of this prospectus and prior to the termination of an offering shall be deemed to be incorporated by reference in this prospectus. 50 Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. We will provide you without charge upon written or oral request a copy of any of the documents that are incorporated by reference in this prospectus, other than exhibits that are specifically incorporated by reference into these documents. If you would like us to provide you with any of these documents, please contact us 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. Except as described above, no other information is incorporated by reference in this prospectus, including, without limitation, information on our website. LIMITATIONS ON ENFORCEMENT OF U.S. LAWS We are a joint stock company incorporated in Japan. All of our directors, corporate auditors and executive officers are residents of countries other than the United States. As a result, you should note that it may be difficult or impossible to serve legal process on us or our directors, corporate auditors and executive officers, or to force us or them to appear in a U.S. court. Our legal counsel in Japan has advised us that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of civil liabilities based solely on U.S. securities laws. A Japanese court may refuse to allow an original action based on U.S. securities laws. Our legal counsel has further advised that the United States and Japan do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, if you obtain a civil judgment by a U.S. court, you will not necessarily be able to enforce it directly in Japan. Our agent for service of process is The Bank of Tokyo-Mitsubishi, Ltd., Headquarters for the Americas, located at 1251 Avenue of the Americas, New York, New York 10020-1104, Attention: Robert E. Hand, Esq., General Counsel and Director of Public Affairs, Legal and Compliance Office for the Americas. 51 [LOGO] MTFG [LOGO] Mitsubishi Tokyo Financial Group, Inc.