MESSAGE FROM MANAGEMENT

Mitsubishi Tokyo Financial Group, Inc. is pleased to report on its financial results for the six-month period from April 1, 2004 to September 30, 2004.

The early part of the period under review saw a move toward economic recovery, particularly in the United States where the recovery was driven by large-scale tax cuts, and in China where domestic demand continued to expand. Japan’s exports and capital expenditures rose due to increased overseas demand, and private consumption also steadily increased due to an improvement in consumer confidence.

In the latter part of the period however, a certain degree of uncertainty prevailed in overseas economies as the positive effects of the tax cuts in the United States began to wane, and as a result of measures taken in China to restrain investments and the sharp rise in crude oil prices. The Japanese economy also began slowing down and domestic consumer prices continued to decline.

The Bank of Japan continued its easy monetary policy and kept short-term interest rates at near zero percent although the yield on ten-year Japanese government bonds soared temporarily, reflecting bullish views about economic recovery, before declining again. In the United States, the target for the federal funds rate was raised from 1% to 1.75% between June and September, while in the EU the European Central Bank’s policy rate remained at 2%.

In the foreign exchange market, although the yen initially depreciated against the U.S. dollar mainly due to the rise in the U.S. federal funds rate, the exchange rate subsequently stabilized and remained within a narrow range.

The number of corporate bankruptcy filings in Japan during the six months ended September 30, 2004 was around 7,000, representing an 18% decline compared with the corresponding period in the previous fiscal year.

Interim financial results
MTFG’s consolidated net income for the six months ended September 30, 2004 was ¥131.4 billion, a decrease of ¥397.8 billion, or 75.2% from the six months ended September 30, 2003, and basic earnings per common share for the period were ¥19,700.46, a decrease of ¥64,181.80 from the comparable period in fiscal 2003.

These changes in our operating results were primarily attributable to an increase in provisions for credit losses and a decrease in non-interest income, partially offset by a decrease in non-interest expense.

A provision for credit losses of ¥167.1 billion was recorded for the six months ended September 30, 2004 compared with a reversal of the allowance for credit losses of ¥129.6 billion for the comparable period in fiscal 2003. This change was due mainly to a significant decrease in our specific allowance for nonperforming loans for the comparable period in fiscal 2003, which did not occur in the six months ended September 30, 2004, and to an increase in our specific allowance for nonperforming loans for the current interim period as a result of credit downgrades for several borrowers to which we have extended relatively large amounts of loans.

Net interest income for the six months ended September 30, 2004 was ¥479.9 billion, a decrease of ¥38.5 billion, or 7.4%, from ¥518.4 billion for the first half of fiscal 2003. This decrease was primarily due to a decline in the average interest rate spread.

Non-interest income decreased ¥285.9 billion or 40.1% to ¥427.4 billion. This decrease primarily resulted from net foreign exchange losses of ¥164.2 billion compared with ¥259.7 billion of foreign exchange gains recorded in the six months to September 30, 2003, and mainly reflected the depreciation of the yen.

Non-interest expense for the six months ended September 30, 2004 was ¥538.4 billion, a decrease of ¥43.6 billion, or 7.5%, from ¥582.0 billion for the six months ended September 30, 2003. This decrease was primarily due to a decrease in other non-interest expenses.

We are particularly pleased to report that net revenue (based on Japanese GAAP) of each of our three core business groups — Retail, Corporate, and Trust Assets — increased compared to the comparable period in fiscal 2003. In our Retail Banking Business Group net revenue grew by ¥22.1 billion or 11.4% to ¥216.4 billion. Net revenues of our Corporate Banking Business Group grew by ¥5.4 billion or 1.4% to ¥390.3 billion and in our Trust Assets Business Group net revenues increased by ¥2.2 billion or 9.4% to ¥25.5 billion.

MTFG’s risk adjusted capital ratio, calculated under accounting principles generally accepted in Japan, decreased
to 10.92% at September 30, 2004 from 12.95% at March 31, 2004, and the Tier 1 capital ratio increased to 7.39% from a level of 7.14% at March 31, 2004.

Business strategy
Introduction of integrated business group system
Our basic strategy is to manage the Group with a thorough focus on customers, deliver high quality, comprehensive financial services that combine banking, trust and securities and so fully satisfy the true needs of our customers.

In order to vigorously promote this strategy, in April 2004 the Group’s retail, corporate and trust assets (asset management and administration) businesses were positioned as our three core businesses and an integrated business group system was introduced. Through promoting unified group management of banking, trust and securities businesses we aim to realize significant growth in the three core businesses, so raising their share of total profits and achieving a shift in our profit structure.

In MTFG’s integrated business group system the holding company formulates strategy for the consolidated Group, which is then executed by Group banks. This system is designed to achieve rapid and unified decision-making while providing seamless and comprehensive financial services to customers. At the same time it allows for reorganization of the Group’s business portfolio, a more dynamic reallocation of operational resources and unified risk management.

Integration with UFJ Group — creating a premier comprehensive global financial group
In order to enhance customer satisfaction through providing better products and services and realize further growth through expanding our customer base and strengthening profits, in August last year we reached a basic agreement with UFJ Group on integration. We believe the businesses and branch networks of the two groups are highly complementary, presenting the best and most appropriate combination. Following integration we aim to further reinforce our customer-focused approach, and with the strong support of customers, leverage our respective strengths to create a premier comprehensive global financial group that is competitive worldwide.

In September 2004, we announced the new group’s aspiration to become one of the top five global financial institutions by market capitalization by the end of fiscal 2008. We aim to achieve this aspiration through actualizing the high profit potential of the two groups, realizing synergy and rationalization benefits and accelerating our growth strategy as a new group.

The new group will be a thoroughly comprehensive financial group including a commercial bank, trust bank and securities company along with top-class credit card, consumer finance, leasing and investment trust companies, and foreign subsidiaries including Union Bank of California, N.A. We aim to integrate the two group’s holding companies, commercial banks, trust banks and securities companies on October 1, 2005.

The new group will employ the integrated business group system that has already been introduced at MTFG, and will pursue business with each customer segment as a unified group responding to diverse customer needs with flexible and comprehensive solutions. As a comprehensive financial group with one of the largest asset bases in the world and comprising diverse group companies, the new group will establish and develop sophisticated internal controls and risk management systems in accordance with the U.S. Sarbanes-Oxley Act of 2002, other SEC requirements, and the new BIS regulations in order to ensure appropriate operations and secure the trust and confidence of customers, shareholders and society at large.

As we have described, MTFG will gather all of its strengths to realize integration with UFJ Group. Through creating a premier comprehensive global financial group we aim to meet the expectations of our customers and shareholders and inspire their trust. We look forward to your continuing support in the future.

March 2005

Haruya Uehara
Chairman & Co-CEO
Nobuo Kuroyanagi
President & CEO