We would like to thank you for your continued interest in and support for Mitsubishi Tokyo Financial Group. In this annual report we present the Group’s business results for fiscal 2004 (the period from April 1, 2004 to March 31, 2005), which was our fourth year since establishment. We also provide details of our planned integration with UFJ group, and other matters. We sincerely hope that this report deepens your understanding of MTGF.

The economic and financial operating environment of the Group exhibited gradual change during the fiscal year under review. Overseas economies generally strengthened during the early part of fiscal 2004. However, during the latter part of the fiscal year, factors such as rising interest rates in the United States and the People’s Republic of China, and a rise in crude oil prices contributed to a gradual slowdown in economic growth.

Similarly, although in the first part of fiscal 2004 the Japanese economy continued its recovery led by export growth and higher private sector capital expenditures, deflation continued, and from the middle of the fiscal year a degree of uncertainty prevailed.

Regarding the Group’s financial environment, in the European Union, the European Central Bank’s policy rate remained at 2%, while in the United States the target for the federal funds rate was raised from 1% to 2.75%. In Japan, the Bank of Japan continued its easy monetary policy, and kept short-term interest rates at near zero percent. On the other hand, long-term interest rates in Japan rose temporarily, before declining again towards earlier levels. Japanese stock prices were relatively stable during the fiscal year. In the foreign exchange markets, the yen appreciated against the U.S. dollar from the middle of the fiscal year, reflecting concerns with respect to the U.S. budget and current account deficits.

Integrated Group Strategy
MTFG has been actively pursuing its integrated group strategy with the aspiration of becoming one of the world’s top ten financial institutions by market value within three years, and in fiscal 2004 we achieved consolidated net income of ¥338.4 billion under accounting principles generally accepted in Japan (Japanese GAAP).

Our pursuit of the Group’s integrated business group strategy led to a second consecutive year of growth in consolidated net business profit.
Our integrated group strategy positions Retail, Corporate, and Trust Assets (asset management and asset administration) as our three core business areas, and from April 2004 we introduced an integrated business group system. At the same time we shifted to an income structure in which income from these three businesses constitutes the core. Based on market-specific strategies that are formulated by the integrated business groups, MTFG’s bank, trust bank and securities company link closely to combine the specialist functions of each and, as a unified group, deliver a diverse range of products and services that are matched to customers’ needs.

In fiscal 2004 the three integrated business groups realized increases in profit, and through their contribution also offset a decline in treasury income, allowing the Group to achieve a second consecutive year of growth in consolidated net business profit (under Japanese GAAP).

**Consolidated Fiscal 2004 Performance**

Under U.S. GAAP we reported consolidated net income of ¥415.2 billion for the fiscal year ended March 31, 2005 (fiscal 2004) compared to consolidated net income of ¥823.0 billion for the previous fiscal year (fiscal 2003). Our basic earnings per common share in fiscal 2004 were ¥62,717.21, compared to ¥128,350.88 for fiscal 2003. The main factors underlying these changes in our operating results were a decrease in non-interest income that was largely attributable to a decrease in net foreign exchange gains, and a provision for credit losses compared to a reversal of our allowance for credit losses in the previous fiscal year.

In fiscal 2004 net foreign exchange gains decreased by ¥460.9 billion compared to fiscal 2003 due to the depreciation of the yen against foreign currencies in fiscal 2004, compared to an appreciation of the yen in the previous fiscal year. In addition, a provision for credit losses of ¥109.5 billion was recorded in fiscal 2004, contrasting with the reversal of the allowance for credit losses of ¥114.1 billion recorded in the previous fiscal year. These factors were partly offset by an increase in fees and commissions of ¥76.5 billion and an increase in net investment securities gains of ¥79.4 billion compared to fiscal 2003.
While our results under U.S. GAAP were negatively affected by foreign exchange rate changes in particular, we are pleased to report that each of our core businesses showed a strong increase in operating profit as prepared on the basis of Japanese GAAP, as follows:

The operating profit of our Integrated Retail Banking Business Group was ¥131.8 billion in fiscal 2004, up 38.6% compared to fiscal 2003. The Integrated Corporate Banking Business Group recorded operating profit of ¥434.8 billion, a 7.8% increase, and our Integrated Trust Assets Business Group increased its operating profit by 41.5% to ¥13.3 billion. In each of these core businesses the increase in operating profit was driven largely by an increase in fee income.

MTFG’s risk-adjusted capital ratio, as calculated under Japanese GAAP, declined slightly to 11.76% as at March 31, 2005, from 12.95% at the end of the previous fiscal year.

Subsequently, in February 2005, we decided and announced the names and merger ratios of the new group’s holding company, bank, trust bank and securities company, and in April 2005 the respective merger agreements, including the names of the merging companies, the merger ratios and other important conditions, were signed. The new group will have a broad and well-balanced network in Japan and overseas and an extensive customer base. It will also be a truly comprehensive financial group comprising a commercial bank, trust bank and securities company, as well as top class credit card companies, consumer finance companies, investment trust companies, leasing companies and a U.S. bank (Union Bank of California).

**Business Strategy**

In order to leverage its strengths to the maximum, the new group will further strengthen the integrated business group system that is currently used by MTFG, and develop its subsidiaries so they are able to respond to customers’ needs even more quickly and fully. Furthermore, through steadily integrating the new group’s systems and operations we aim to rapidly realize efficiency benefits, for example from cost reductions. At the same time we will seek greater efficiency as an integrated group in the management and procurement of funds and by optimizing the allocation of resources within the group.

**The new group aims to become one of the global top five**

**Integration with UFJ Group**

Our decision to integrate with UFJ group was undertaken to further promote our strategy, and to more rapidly achieve our aspiration as described above. We received shareholder approval of our merger agreement with UFJ group at MTFG’s Fourth Annual General Meeting of Shareholders held in June 2005.

In August 2004, MTFG reached basic agreement on integration with UFJ group, and in September 2004 we formulated our basic policy for integration and set a new aspiration—to become one of the top five global financial institutions by market value by fiscal 2008.

**The new group also will pursue an integrated business group strategy based on an integrated business group system**
In our Retail business, we aim to enhance areas such as product development, for example through the development of global strategic alliances. As a result we aim to achieve the highest level of customer satisfaction by providing global standard products and services in business domains such as investment products, loans, consumer finance, inheritance and real estate. In our Corporate business, by making maximum use of our full lineup of banking, trust banking and securities functions we will meet customer needs with services of the highest quality and innovative products. In our Trust Assets business, we will reinforce our product lineup in both asset management and asset administration and, with an efficient structure that fully leverages our scale, we will offer a full-line service that is able to respond to the needs of all types of customer.

Furthermore, the new group will aim to be a financial group that has the full trust and confidence of society and that is a good corporate citizen. We will build transparent and highly effective corporate governance, improving risk management and internal controls. We will also manage the group with regard to its social responsibilities, for example by contributing to society and by conducting our business with consideration for the environment.

Integration aims to create a premier, comprehensive, global financial group that can succeed against competitors globally.

Through integration with UFJ group, MTFG aims to create a premier, comprehensive, global financial group that can succeed against competitors globally and win the strong support of customers. We look forward to your continued support in the future.

September 2005

Haruya Uehara
Chairman & Co-CEO

Nobuo Kuroyanagi
President & CEO