Item 7.  Major Shareholders and Related Party Transactions.

A.  Major Shareholders

Common Stock

As of March 31, 2002, we had 141,698 registered shareholders of common stock. The ten largest holders of our common stock appearing on the register of shareholders as of March 31, 2002, and the number and the percentage of such shares held by them, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares held</th>
<th>Percentage of total shares in issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meiji Life Insurance Company</td>
<td>232,531</td>
<td>4.04%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd.(1)</td>
<td>219,042</td>
<td>3.81</td>
</tr>
<tr>
<td>The Mitsubishi Trust and Banking Corporation(1)</td>
<td>169,362</td>
<td>2.94</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>163,770</td>
<td>2.85</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi, Ltd.</td>
<td>128,111</td>
<td>2.32</td>
</tr>
<tr>
<td>The Tokio Marine and Fire Insurance Co., Ltd.</td>
<td>124,330</td>
<td>2.16</td>
</tr>
<tr>
<td>Mitsubishi Heavy Industries, Ltd.(2)</td>
<td>118,740</td>
<td>2.06</td>
</tr>
<tr>
<td>Hero &amp; Co.(3)</td>
<td>114,631</td>
<td>1.99</td>
</tr>
<tr>
<td>The Dai-ichi Mutual Life Insurance Company</td>
<td>111,854</td>
<td>1.94</td>
</tr>
<tr>
<td>UFJ Trust Bank Limited(1)</td>
<td>109,031</td>
<td>1.89</td>
</tr>
</tbody>
</table>

(1) Includes the shares held in trust accounts, of which the names of beneficiaries are not disclosed.

At March 31, 2002, 210.77 shares, representing less than 0.01% of the outstanding common stock, were held by our directors and corporate auditors.

At March 31, 2002, 235,421.38 shares, representing 4.09%, of our outstanding common stock, were owned by 143 U.S. shareholders of record who are resident in the United States (and a non-resident of Japan), one of whom is the ADR depository’s nominee holding 114,631.00 shares, or 1.99% of our outstanding common stock.

Preferred Shares

The ten largest holders of our class 1 preferred shares, which are non-voting, appearing on the register of shareholders as of March 31, 2002, and the number and the percentage of such shares held by them, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares held</th>
<th>Percentage of total shares in issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Tokio Marine &amp; Fire Insurance Co., Ltd.</td>
<td>16,700</td>
<td>20.51%</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>16,700</td>
<td>20.51%</td>
</tr>
<tr>
<td>Meiji Life Insurance Company</td>
<td>16,700</td>
<td>20.51%</td>
</tr>
<tr>
<td>Kirin Brewery Co., Ltd.</td>
<td>10,000</td>
<td>12.28%</td>
</tr>
<tr>
<td>Asahi Glass Co., Ltd.</td>
<td>3,400</td>
<td>4.17%</td>
</tr>
<tr>
<td>Diamond Lease Company Limited</td>
<td>3,400</td>
<td>4.17%</td>
</tr>
<tr>
<td>Tokyu Corporation</td>
<td>3,400</td>
<td>4.17%</td>
</tr>
<tr>
<td>Honda Motor Co., Ltd.</td>
<td>3,400</td>
<td>4.17%</td>
</tr>
<tr>
<td>Mitsubishi Chemical Corporation</td>
<td>2,000</td>
<td>2.45%</td>
</tr>
<tr>
<td>Mitsubishi Electric Corporation</td>
<td>1,700</td>
<td>2.08%</td>
</tr>
<tr>
<td>Total</td>
<td>77,400</td>
<td>95.08%</td>
</tr>
</tbody>
</table>
The holders of our class 2 preferred shares, which are non-voting, appearing on the register of shareholders as of March 31, 2002, and the number and the percentage of such shares held by them, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares held</th>
<th>Percentage of total shares in issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meiji Life Insurance Company</td>
<td>35,000</td>
<td>35.00%</td>
</tr>
<tr>
<td>The Tokio Marine &amp; Fire Insurance Company, Limited</td>
<td>25,000</td>
<td>25.00%</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>25,000</td>
<td>25.00%</td>
</tr>
<tr>
<td>Mitsubishi Estate Company, Limited</td>
<td>5,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>Asahi Glass Co., Ltd.</td>
<td>2,500</td>
<td>2.50%</td>
</tr>
<tr>
<td>Kirin Brewery Co., Ltd.</td>
<td>2,500</td>
<td>2.50%</td>
</tr>
<tr>
<td>Kinki Nippon Railway Co., Ltd.</td>
<td>2,500</td>
<td>2.50%</td>
</tr>
<tr>
<td>Tokyu Corporation</td>
<td>2,500</td>
<td>2.50%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100,000</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

B. Related Party Transactions

We and our subsidiary banks had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although for the fiscal year ended March 31, 2002, such transactions included, but were not limited to call money, loans, electronic data processing, leases and management of properties, those transactions were immaterial and were made at prevailing market rates, terms, and conditions and do not involve more than the normal risk of collectibility or present other unfavorable features.

None of our directors or corporate auditors, and none of the close members of their respective families, has had any transactions or has any presently proposed transactions which are material or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which we were a party.

No loans have been made to our directors or corporate auditors other than in the normal course of business, on normal commercial terms and conditions.

No family relationship exists among any of our directors or corporate auditors. No arrangement or understanding exists between any of our directors or corporate auditors and any other person pursuant to which any director or corporate auditor was elected to their position at Mitsubishi Tokyo Financial Group.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report and in “Selected Statistical Data” starting on page A-1 of this Annual Report.

Legal Proceedings

Our bank subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank are involved in legal proceedings with the Tokyo Metropolitan Government and the Osaka Prefectural Government regarding recent local taxes.
enacted by those governments. For a more detailed discussion of these legal proceedings, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Recent Developments—Legal Proceedings for Local Taxes” and the notes to our consolidated financial statements.

Distributions

The board of directors recommends an annual dividend for shareholders’ approval at the ordinary general meeting of shareholders customarily held in June of each year. The annual dividend is usually distributed immediately following shareholders’ approval to holders of record on the preceding March 31. In addition to annual dividends, we may make cash distributions by way of interim dividends from retained earnings as of the end of the preceding fiscal year to shareholders of record as of September 30 in each year by resolution of our board of directors. We paid our first annual dividend of ¥6,000 per share of common stock for the fiscal year ended March 31, 2002 on June 27, 2002.

Under Japanese foreign exchange regulations currently in effect, dividends paid on shares held by non-residents of Japan may be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which ADSs are issued, the depositary is required, to the extent that in its judgment it can convert Japanese yen on a reasonable basis into U.S. dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into U.S. dollars and to distribute the amount received, after deduction of any applicable withholding taxes, to the holders of ADSs. See “Item 10.D. Additional Information—Exchange Controls—Foreign Exchange and Securities Regulations.”

B. Significant Changes

No significant changes have occurred since the date of our consolidated financial statements included in this Annual Report.

Item 9. The Offer and Listing.

A. Offer and Listing Details

Market Price Information

The following table shows, for the periods indicated, the reported high and low sale prices for shares of our common stock on the Tokyo Stock Exchange and of the ADSs on the New York Stock Exchange. The table also includes high and low market price quotations from the Tokyo Stock Exchange translated in each case into U.S. dollars per ADS at the Federal Reserve Bank of New York’s noon buying rate on the relevant date.

<table>
<thead>
<tr>
<th>Period</th>
<th>Price per share on the TSE</th>
<th>Translated into U.S. dollars per ADS(1)</th>
<th>Price per ADS on the NYSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High (yen)</td>
<td>Low (yen)</td>
<td>High (US$)</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First quarter</td>
<td>¥1,350,000(2)</td>
<td>¥970,000</td>
<td>$11.13(3)</td>
</tr>
<tr>
<td>Second quarter</td>
<td>1,140,000</td>
<td>886,000</td>
<td>9.84</td>
</tr>
<tr>
<td>Third quarter</td>
<td>1,020,000</td>
<td>795,000</td>
<td>8.45</td>
</tr>
<tr>
<td>Fourth quarter</td>
<td>948,000</td>
<td>688,000</td>
<td>7.40</td>
</tr>
<tr>
<td>Fiscal year ending March 31, 2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>948,000</td>
<td>790,000</td>
<td>7.40</td>
</tr>
<tr>
<td>April</td>
<td>915,000</td>
<td>780,000</td>
<td>7.00</td>
</tr>
<tr>
<td>May</td>
<td>1,010,000</td>
<td>845,000</td>
<td>8.21</td>
</tr>
<tr>
<td>June</td>
<td>1,060,000</td>
<td>770,000</td>
<td>8.52</td>
</tr>
<tr>
<td>July</td>
<td>925,000</td>
<td>791,000</td>
<td>7.80</td>
</tr>
<tr>
<td>August (through August 7)</td>
<td>839,000</td>
<td>787,000</td>
<td>6.97</td>
</tr>
</tbody>
</table>

94
(1) U.S. dollar amounts have been translated, for your convenience, from yen at the Federal Reserve Bank of New York’s noon-buying rate as of the relevant high and low market quotation dates.
(2) ¥1,350,000 is the high market price quotation for both May 2 and May 7, 2001.
(3) The U.S. dollar amount has been translated, for your convenience, from yen at the rate of ¥121.34 = $1.00 which is the Federal Reserve Bank of New York’s noon-buying rate as of May 7, 2001.

B. Plan of Distribution
Not applicable.

C. Markets
The primary market for our common stock is the Tokyo Stock Exchange, or the TSE. Our common stock is also listed on the Osaka Securities Exchange in Japan and on the London Stock Exchange in the United Kingdom. ADSs, each representing one one-thousandth of a share of common stock, are quoted on the New York Stock Exchange, or NYSE, under the symbol, “MTF.” As part of the stock-for-stock exchange transaction to form the holding company, shareholders of Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank received our shares in April 2001.

D. Selling Shareholders
Not applicable.

E. Dilution
Not applicable.

F. Expenses of the Issue
Not applicable.

Item 10. Additional Information.

A. Share Capital
Not applicable.

B. Memorandum and Articles of Association

Our Corporate Purpose

Article 2 of our articles of incorporation provides that our corporate purposes are to carry on the following businesses:

- administration of management of banks, trust banks, specialized securities companies, insurance companies or other companies which we may own as our subsidiaries under the Japanese Banking Law; and
- any other business incidental to the foregoing business mentioned in the preceding item.

Board of Directors

For discussion of the provisions of our articles of incorporation as they apply to directors, see “Item. 6.C. Directors, Senior Management and Employees—Board Practices.”
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 as exhibits to this Annual Report.

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.

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 Depository Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Japan Securities Depository Center. All shares deposited with the Japan Securities Depository Center will be registered in the name of the Japan Securities Depository Center on 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 Depository 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. 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.

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 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 yoyakuen), which in the U.S. are often in the form of warrants, or bonds with stock acquisition rights that cannot be detached (shinkabu yoyakuen-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.

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.
Transferred 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.

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.
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 ¥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 ¥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 ¥1,391,428 nor be below ¥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 ¥714,285, the conversion price will be ¥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 ¥82,500 per share per fiscal year and for class 2 preferred shares is ¥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 ¥250,000 per share per fiscal year for class 3 preferred shares and ¥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.
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 ¥3,000,000 per share for class 1 preferred shares, ¥2,000,000 per share for class 2 preferred shares and ¥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 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.
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 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 voted the amount of shares or other deposited securities represented by your ADSs in accordance with the instructions set forth in
your request. So long as Japanese law provides that votes may only be cast with respect to one or more whole shares or other deposited securities, The Bank of New York will aggregate voting instructions to the extent such instructions are the same and vote such whole shares or other deposited securities in accordance with your instructions. If, after aggregation of all instructions to vote received by The Bank of New York, any portion of the aggregated instructions constitutes instructions with respect to less than a whole share or other deposited securities, The Bank of New York will not vote or cause to be voted the shares or other deposited securities to which such portion of the instructions apply. The Bank of New York will not vote or attempt to exercise the right to vote that attaches to the shares or other deposited securities, other than in accordance with the instructions 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**

<table>
<thead>
<tr>
<th>ADR holders must pay:</th>
<th>For:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5.00 (or less) per 100 ADSs (or portion thereof)</td>
<td>Each issuance of an ADS, including as a result of a distribution of shares or rights or other property</td>
</tr>
<tr>
<td></td>
<td>Each cancellation of an ADS, including if the agreement terminates</td>
</tr>
<tr>
<td>$0.02 (or less) per ADSs</td>
<td>To the extent permitted by securities exchange on which the ADSs may be listed for trading any cash payment</td>
</tr>
<tr>
<td>Registration or transfer fees</td>
<td>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</td>
</tr>
<tr>
<td>Expenses of The Bank of New York</td>
<td>Conversion of foreign currency to U.S. dollars Cable, telex and facsimile transmission expenses</td>
</tr>
<tr>
<td>Taxes and other governmental charges</td>
<td>As necessary</td>
</tr>
<tr>
<td>The Bank of New York</td>
<td></td>
</tr>
</tbody>
</table>

**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,
• 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;
● 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.

C. Material Contracts.
Other than as described in this Annual Report, all contracts entered into by us since our establishment on April 2, 2001 were entered into in the ordinary course of business.
D. Exchange Controls

Foreign Exchange and Foreign Trade Law

The Foreign Exchange and Foreign Trade Law of Japan, including related cabinet orders and ministerial ordinances governs several aspects of the issuance of our shares and equity-related securities. It also applies in some cases to the acquisition and holding of our shares or ADSs representing such shares by non-residents of Japan and by foreign investors. Generally, the Foreign Exchange and Foreign Trade Law currently in effect does not affect the right of a non-resident of Japan to purchase or sell an ADR outside Japan for non-Japanese currency.

“Non-residents of Japan” are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Branches and other offices of Japanese corporations located outside Japan are treated as non-residents of Japan, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan.

“Foreign investors” are defined as:

- individuals not resident in Japan;
- corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan;
- corporations of which 50% or more of the shares are held by individuals not resident of Japan and corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan; and
- corporations, a majority of officers (or a majority of officers having the power of representation) of which are non-resident individuals.

Acquisitions of Shares

Under the Foreign Exchange and Foreign Trade Law, if a foreign investor acquires shares of stock of a Japanese company listed on any stock exchange in Japan or traded on the over-the-counter market in Japan (“listed shares”) from a resident of Japan, and, as a result of such acquisition, the foreign investor and related parties directly or indirectly hold 10% or more of the then total outstanding shares of the subject corporation, the foreign investor is generally required to file a report after the fact with the Minister of Finance and any other Ministers sharing jurisdiction over the business of the corporation. If the acquisition concerns national security or meets other conditions specified in the Foreign Exchange and Foreign Trade Law, the foreign investor must file a prior notification in respect of the proposed acquisition with the Ministers, and the Ministers may request a modification or prohibition of the proposed acquisition. If the foreign investor does not agree with the request, the Ministers may issue an order for the modification or prohibition of such acquisition.

A non-resident of Japan is generally not required to make prior notification or obtain prior approval of acquisitions of listed shares, although the Foreign Exchange and Foreign Trade Law provides the Ministry of Finance with the power, in exceptional circumstances, to require prior approval for any such acquisition from resident(s) by a non-resident of Japan.

The acquisition of shares by non-resident shareholders by way of stock splits is not subject to any of these notification and confirmation requirements.

Dividends and Proceeds of Sales

Under Japanese foreign exchange regulations currently in effect, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may be converted into any foreign currency and repatriated abroad.
Deposits and Withdrawals under American Depositary Facility

The deposit of shares with us, in our capacity as custodian and agent for the depositary, in Tokyo, the issuance of ADSs by the depositary to a non-resident of Japan in respect of the deposit and the withdrawal of the underlying shares upon the surrender of the ADSs are not subject to any of the formalities or restrictions referred to above. However, where as a result of a deposit or withdrawal the aggregate number of shares held by the depositary, including shares deposited with us as custodian for the depositary, or the holder surrendering ADSs, as the case may be, would be 10% or more of the total outstanding shares, a report will be required, and in specified circumstances, a prior notification may be required, as noted above.

Reporting of Substantial Shareholdings

Under Japan’s Securities and Exchange Law, any person who becomes, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company which is listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan generally must report his or its share ownership to the Director of a relevant local finance bureau within 5 business days. A similar report must also be made in respect of any subsequent change of 1% or more in any previously reported holding or any change in material matters set out in reports previously filed, with some exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of warrants (including stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer’s total issued share capital. Copies of each ownership report must also be furnished to the issuer of such shares and to all Japanese stock exchanges on which the shares are listed or, in the case of shares traded over-the-counter, the Japan Securities Dealers Association.

E. Taxation

Japanese Taxation

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 Annual Report 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.

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.

**U.S. Taxation**

The following sets forth the material United States federal income tax consequences of the ownership of shares and ADSs 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, (the “Code”), 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 or an ADS 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 or ADSs.

This summary addresses only shares or ADSs held as capital assets.

As used herein, a “U.S. holder” is a beneficial owner of shares or ADSs, 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.
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 or ADSs.

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 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.

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 (“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.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file periodic reports and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549 or at the SEC’s regional office at 500 West Madison Street, Suite 1400, Chicago, Illinois 60606. Please call the SEC at 1-800-732-0330 for further information on the operation of its public reference room. You may also inspect our SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. Some of this information may also be found on our website at http://www.mtfg.co.jp.

I. Subsidiary Information.

Please refer to discussion under “Item 4.C. Information on the Company—Organizational Structure.”

Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Like other banking institutions, we face credit risks, market risks, liquidity risks, operations risks, information security risks and other risks. We seek to manage all of these risks through our risk management system.

Rapid and extensive changes in the Japanese banking environment make risk management even more challenging. These changes result from economic and financial globalization and continuing advances in information technology. Our business opportunities are expanding and competition is increasing. We are affected by ongoing reforms in the Japanese financial system, such as the introduction of limits on bank deposit guarantees. There are pressures to liquidate our non-performing loans and reduce our equity holding in a sluggish business environment, creating risks that are unprecedented in scope and magnitude. These and other changes contribute to the risks we face.

The risks we face may be broadly divided into two types. One type consists of credit and market risks that are inherent in our profit seeking activities. The second involves risks associated with our own operations and back-office activities. Our management goal is to achieve a balance between earnings and risks. For this purpose, we have instituted an integrated risk management policy throughout the MTG Group, to identify, quantify, control, monitor and manage risk using consistent standards and techniques in each of our businesses.
Risk Management System

We determine our group-wide risk management policy at the holding company level, and our subsidiary banks implement the policy accordingly. Our board of directors is responsible for our group-wide risk management and control principles, and the boards of directors of our subsidiary banks are responsible for the respective bank’s risk management and control principles.

The corporate risk management committee is a subcommittee of the executive committee and reviews and evaluates the key risk issues at the holding company level. Our corporate risk management division monitors the day-to-day operation of our risk management system at the holding company level and reports to the corporate risk management committee. Other committees, offices and divisions implement and supervise our risk management within each of our subsidiary banks.

Integrated Risk Management

We employ a capital allocation system, which assists us to manage our risks in relation to our profit targets and expected returns. We allocate to each of our subsidiary banks economic capital based on quantitative risk, type of risk and type of operation. Economic capital is calculated from credit risk, market risk, operational risk and equity portfolio risk. Capital allocation decisions are made semiannually in consultation with our subsidiary banks, and we monitor and manage this plan constantly. For the fiscal year ended March 31, 2002, we adopted risk adjusted performance measurement as our management tool. We use risk adjusted performance measurement to assess our profitability and efficiency relative to risks.
Credit Risk Management

Credit risk is the risk that we will be unable to collect the amount due to us on the due date of an obligation as a result of the financial condition of the particular debtor. Credit risk is realized when a credit instrument previously extended to the borrower loses part or all of its value. This in turn exposes us to financial loss. We have established an internal framework to maintain asset quality, manage credit risk exposure, and achieve earnings commensurate with risks undertaken.

Quantitative Analysis of Credit Risk

Using a highly sophisticated model, we analyze our credit risk quantitatively. This model measures credit risk based on historical data that we have collected from our subsidiary banks on credit amounts, expected default rates, and expected recovery rates and takes into account the correlation among borrowers’ default probabilities. We manage our credit risk based upon this analysis.

Portfolio Management

We work to achieve earnings commensurate to the risk levels undertaken. It is our strategy to price our products based upon the expected losses, as determined in accordance with the internal credit rating system.

At the same time, by monitoring loan amounts and credit exposure by credit rating, type of business and region, we seek to avoid a concentration of our credit risks in specific categories.

We have a specialized unit that sets credit ceilings by country to address and manage country risk. We regularly review these credit ceilings and adjust them when credit conditions change materially in any country.

Credit Risk Management System

We closely monitor and supervise the credit portfolios of our subsidiary banks. We seek to identify problem credits at an early stage with the common credit rating and self-assessment systems for our subsidiary banks and us.
Under our credit risk management system, each subsidiary bank manages its own credit risk on a consolidated global basis, and the holding company oversees and manages our credit risks on a group-wide basis.

At each of our subsidiary banks, we have in place a system of checks and balances, in which a credit administration section, that is independent of a business development section, screens individual transactions and manages the extension of credit. Additionally, our management regularly holds Credit Committee and Credit and Investment Council meetings to review important matters related to credit risk management.

Credit Rating System

Our subsidiary banks perform a detailed assessment of all borrowers that is commenced at the end of June and December of each year. In addition, credit officers constantly monitor changes in all our customers’ credit worthiness. These detailed reviews form an integral part of our overall control process to ensure that all loans are properly evaluated as part of the ongoing review process. Our credit officers are required to assess all borrowers’ ratings semiannually during the three month periods from June and December each year to the balance sheet dates in response to events occurring during the intervening periods including bankruptcy, past due principal or interest, downgrading of external credit rating and/or lower stock price, business restructuring and other events as specified in the subsidiary banks’ manuals. During the periods from June and December to the balance sheet dates, our subsidiary banks’ credit officers are also required to regularly report changes in (1) all borrowers’ ratings, (2) the value of collateral or guarantees of all borrowers classified under the Financial Service Agency’s classification as “Needs Attention,” “Special Attention,” “In Danger of Bankruptcy”, “De Facto Bankrupt”, and “Bankrupt”, and (3) outstanding balance of credit of all borrowers other than borrowers classified as “Normal,” as specified in the subsidiary banks’ manuals.

In the fiscal year ended March 31, 2002, we adopted a group-wide credit rating system that uses a standard scale of 1 to 15 to evaluate credit risk in all our businesses, as set out in the table below. Based on this system, we conduct our self-assessment of assets, quantitative risk measurement of credit risk, portfolio management, and determine our pricing strategy. The credit rating system, which is based on the concept of probabilities of default, is objective, and is consistent with both the method of evaluating credit risk under the new Basel Capital Accord and those of third-party credit rating agencies. Our credit rating system is also designed to conform to the regulatory authorities’ risk grading standards for classified loans. With respect to country risk, we assess each country using ten alphanumeric grades and determine a country risk rating.
For adoption of the new credit rating system, in the fiscal year ended March 31, 2002, Bank of Tokyo-Mitsubishi increased by three credit ratings from the previous credit rating system, and Mitsubishi Trust Bank increased by one credit rating from the previous credit rating system. The change in credit rating systems of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank did not have a material impact on their impaired loans, allowances for credit losses or provision for credit losses.

<table>
<thead>
<tr>
<th>Borrower grade . . . . . . .</th>
<th>1-9</th>
<th>10-12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Close Watch (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likely to Become Bankrupt (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virtually Bankrupt (3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankrupt (3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Borrowers classified as “Close Watch” require close scrutiny because they are inactive or their business performance is unstable, or their financial condition is unfavorable. Borrowers ranked 10, 11, and 12 correspond with “Needs Attention” and borrowers ranked 12 also correspond with “Special Attention”, a subcategory of “Needs Attention”, under the Financial Services Agency’s classification.

(2) Borrowers classified as “Likely to Become Bankrupt” are not yet bankrupt, but are in financial difficulty with poor progress in achieving their business restructuring plans or are likely to become bankrupt in the future. Borrowers ranked 13 correspond with “In Danger of Bankruptcy” under the Financial Service Agency’s classification.

(3) Borrowers classified as “Virtually Bankrupt” and “Bankrupt” are legally bankrupt or are considered to be virtually bankrupt. Borrowers ranked 14 and 15 correspond with “De Facto Bankrupt” and “Bankrupt” respectively under the Financial Services Agency’s classification.

Reduction of Problem Loans

The reduction of problem loans is one of our top priorities. We are disposing of problem loans by, among other measures, selling them to the Resolution and Collection Corporation (RCC) established by the Japanese Government to purchase problem loans. The Japanese Government has urged major banks to write-off problem loans carried over from the past within two years and any newly identified problem loans within three years. For new non-performing loans, banks are urged to remove 50% of those loans within a year, 80% within two years and the entire loans within three years. For more discussion of the purchase of problem loans by the Resolution and Collection Corporation, please see “Item 5.A. Operating and Financial Review and Prospects—Operating Results.”
Risk Management of Strategic Equity Portfolio

Through our banking subsidiaries, we hold shares in some of our clients for strategic purposes, in particular to maintain long-term relationships with these clients. These investments have the potential to increase business revenues and to appreciate in value.

At the same time, there is a risk that we will suffer losses on shares held for strategic purposes. Price fluctuation is an inherent risk in equity investment. We regard the management of this risk as essential. We are seeking to lower our exposure to this risk by reducing the number of shares we hold for strategic purposes. In some cases, we have to sell shares in order to comply with Japanese legal limitations on the number of shares of a company that may be held by a bank.

Reducing the number of shares held for strategic purposes and thereby minimizing price decline risk has become a pressing issue for banks in Japan. Reductions have become necessary to manage risks effectively, and to comply with the Law to Limit the Shareholdings of Banks. The law requires us to reduce the balance of shares to a level below the level of our Tier I capital by September 2004.

In addition to the disposition of shares undertaken to satisfy legal requirements, we carry out quantitative analysis of risks related to our strategically held shares from a risk management viewpoint. According to our calculations, the market value of our total strategically held shares as of March 31, 2002 increases or decreases approximately ¥4.6 billion when the TOPIX Index moves one percentage point upward or downward.

We monitor the amount of strategically held shares and manage our portfolio to maintain quantitative risks at an appropriate level compared to our Tier I capital and to achieve earnings adequate levels to the risks.

Market Risk Management

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

Market Risk Management System

Under our market risk management system, we monitor our overall market risk at the holding company level, while our subsidiary banks manage the market risks related to their own trading and non-trading activities on a consolidated worldwide basis.

Market Risk Management Process at Subsidiary Banks

At each of our subsidiary banks, we maintain checks and balances through a system in which back and middle offices operate independently from front offices. In addition, ALM Committee / ALM Council are held at our subsidiary banks every month to review important matters related to market risk and control.
Market Risk Measurement

Market risks consist of general market risks and specific risks. General market risks result from changes in entire markets, while specific risks relate to changes in the prices of individual stocks and bonds independent of the overall direction of the market.

To measure general market risk, we use the value at risk (VaR) technique to estimate changes in the market value of portfolios within a certain period by statistically analyzing past market data. We use the VaR technique to monitor and manage market risks quantitatively on a daily basis, taking into account risk diversification effects among all our portfolios.

Our model for calculating our overall VaR uses a variance/covariance matrix of approximately 680 risk factors with statistical data included from a three-year observation period. It takes into account the correlation among risk factors, and estimates nonlinear option risks using a scenario or simulation approach. We use this system to analyze our overall market risk profile as well that of each of our subsidiary banks.

Using our model, we conduct stress testing and backtesting. Some market situations are extremely difficult to predict and some events are statistically very infrequent. Stress testing uses scenarios that estimate the amount of loss likely to be incurred by a portfolio in this kind of situation. Backtesting is a method that verifies the reliability of risk-calculation models by retrospectively comparing estimates of risk with the gains and losses produced by actual market movements.

In addition to measuring the market risk for our business as a whole, our subsidiary banks also measure their own risk independently with their internal models. This allows each of our subsidiaries to manage their own risk internally and to calculate their equity capital ratios based on applicable Basel Capital Accord. Our subsidiary banks also conduct independently stress testing and backtesting using their models.

Capital Charges for Market Risk

The market risk regulations stipulated in the Basel Capital Accord require us to include the effects of market risk in calculating capital adequacy ratios. Both subsidiary banks use an internal model approach to calculate general
market risk, and a standardized approach to calculate specific risk. In applying the internal model approach, our subsidiary banks are required to meet qualitative and quantitative criteria. Internal and external examinations have demonstrated that both banks’ systems have been able to meet these strict requirements.

Illustrations of Market Risks in the Fiscal Year Ended March 31, 2002

Trading activities

The VaR for our total trading activities in the fiscal year ended March 31, 2002 is presented in the table below. Quantitative market risk as of the end of March 31, 2002 was lower in each category compared to the end of March 31, 2001. As of March 31, 2002, U.S. dollar-related interest rate risk had decreased significantly in anticipation of a rise in interest rates.

<table>
<thead>
<tr>
<th>Risk category</th>
<th>Daily average</th>
<th>High</th>
<th>Low</th>
<th>At March 31, 2002</th>
<th>At March 31, 2001 (reference)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate</td>
<td>¥ 1.90</td>
<td>¥3.29</td>
<td>¥1.09</td>
<td>¥ 1.18</td>
<td>¥ 1.78</td>
</tr>
<tr>
<td>Of which, yen</td>
<td>0.96</td>
<td>1.70</td>
<td>0.46</td>
<td>0.79</td>
<td>0.84</td>
</tr>
<tr>
<td>Of which, U.S. dollar</td>
<td>0.89</td>
<td>1.85</td>
<td>0.30</td>
<td>0.44</td>
<td>0.75</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>0.69</td>
<td>1.79</td>
<td>0.20</td>
<td>0.41</td>
<td>0.43</td>
</tr>
<tr>
<td>Equities</td>
<td>0.78</td>
<td>1.52</td>
<td>0.45</td>
<td>0.75</td>
<td>0.96</td>
</tr>
<tr>
<td>Commodities</td>
<td>0.17</td>
<td>0.39</td>
<td>0.08</td>
<td>0.18</td>
<td>0.33</td>
</tr>
<tr>
<td>Diversification effect</td>
<td>(0.52)</td>
<td>—</td>
<td>—</td>
<td>(0.38)</td>
<td>(0.35)</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 3.02</td>
<td>¥4.58</td>
<td>¥2.10</td>
<td>¥ 2.14</td>
<td>¥ 3.15</td>
</tr>
</tbody>
</table>

(1) Based on a one-day holding period, with a confidence interval of 99% based on three years of historical data. The highest and lowest VaRs were taken from different days. Simple summation of VaRs by risk category is not equal to total VaR due to the effect of diversification.

The average daily VaR by quarter in the fiscal year ended March 31, 2002 was as follows:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Daily average VaR</th>
</tr>
</thead>
<tbody>
<tr>
<td>April – June 2001</td>
<td>¥3.26 billion</td>
</tr>
<tr>
<td>July – September 2001</td>
<td>¥2.85 billion</td>
</tr>
<tr>
<td>October – December 2001</td>
<td>¥3.23 billion</td>
</tr>
<tr>
<td>January – March 2002</td>
<td>¥2.72 billion</td>
</tr>
</tbody>
</table>
The following charts show quantitative market risk trends and the relationship between profitability and quantitative risks in the fiscal year ended March 31, 2002. Quantitative market risks fluctuate throughout the year reflecting the reaction of trading activities to market volatility. The fact that the risk-return ratio shows a tendency to converge on the positive side of the ratio, compared to a normal distribution curve indicates that our daily earnings were relatively stable during the period.

**Backtesting**

We conduct backtesting in which estimated quantitative risks are compared with actual gains or losses to verify the accuracy of our VaR measurement model. As shown in the chart below, the absolute value of gains or losses never exceeded VaR in our backtesting of trading days in the fiscal year ended March 31, 2002. This means that our VaR model provided reasonably accurate measurements during the fiscal year ended March 31, 2002.
Stress Testing

In addition to VaR and other quantitative risk testing for normally encountered market volatility, we perform stress testing regularly as well as on an ad hoc basis to measure quantitative risks in extraordinarily volatile market environments. We calculate, on a daily basis, the possible losses of our current positions in each market sector, applying to the positions the greatest one-day volatility recorded to date. As of March 31, 2002, we held a total trading activity position of ¥8.4 billion of possible loss of trading positions in the day.

Non-trading Activities

VaR for our total non-trading activities as of March 31, 2002, excluding market risks related to strategic equity investment and measured using the same standard as used for trading activities, was ¥27.47 billion. After converting foreign currency-denominated assets in Argentina to pesos, as required by Argentinean regulation, forex-related market risks for the fiscal year ended March 31, 2002 increased ¥4.94 billion, while euro interest rate risk declined. As a result, our market risks as of March 31, 2002 were ¥1.03 billion lower than as of March 31, 2001.

Interest rate risks accounted for approximately 92% of our non-trading activity market risks, excluding those risks related to the foreign exchange transaction stated above. In the fiscal year ended March 31, 2002, the daily average interest rate VaR totaled ¥24.52 billion, with the highest recorded VaR being ¥30.26 billion and the lowest being ¥19.42 billion.

The daily average interest rate VaR by quarter in the fiscal year ended March 31, 2002 was as follows:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Daily average VaR</th>
</tr>
</thead>
<tbody>
<tr>
<td>April – June 2001</td>
<td>¥25.24 billion</td>
</tr>
<tr>
<td>July – September 2001</td>
<td>¥22.60 billion</td>
</tr>
<tr>
<td>October – December 2001</td>
<td>¥25.19 billion</td>
</tr>
<tr>
<td>January – March 2002</td>
<td>¥25.04 billion</td>
</tr>
</tbody>
</table>

The chart below analyzes interest rate risks by major currencies. Among these, the Japanese yen interest rate risk ratio as of March 31, 2002 increased compared to March 31, 2001.
Liquidity Risk Management

Liquidity risk is mainly the risk of incurring losses if a poor financial position hampers our subsidiaries’ ability to cover funding requirements. Our subsidiary banks maintain appropriate liquidity in both Japanese yen and foreign currencies. Our subsidiary banks manage the daily funding mechanism and the funding sources, such as liquidity gap, liquidity supplying products like commitment lines and buffer assets. We are responding to recent changes in the market, such as the downgrade of Japanese government bonds and banks and the removal of blanket deposit insurance.

In relation to our total liquidity risk, we have established criteria for assessing group-wide liquidity risks—Normal, Pre-Concern, With-Concern and Critical. The front offices and risk management offices of the holding company and our subsidiary banks exchange information and data on cash flows even at the normal stage. At higher alert stages, we centralize group-wide information about cash flow information and liquidity risk. We have also established a system for liaison and consultation on funding in preparation for emergencies, such as catastrophic disasters, wars and terrorist attacks.

Operations Risk Management

Operations risk is the risk that we will incur losses because management or employees fail to perform their jobs properly, cause accidents or engage in improprieties. To reduce operations risk, our subsidiary banks endeavor to ensure the strict observance of procedures and rules, use automation and systems to eliminate manual work, and enhance systems for the management of cash and other articles requiring physical handling. They also provide operational counseling, and have implemented cross-checking functions through measures such as internal audits. We share data on operational incidents internally to prevent similar recurrences.

Information Security Risk Management

Information security risk management refers to information systems designed to protect the group from losses that could result from the alteration, wrongful use, loss or unauthorized disclosure of information and from the destruction, malfunction or wrongful use of information systems. When developing any information system, we perform tests designed to prevent breakdowns. In addition, we have in place measures designed to minimize the
effects of system breakdown, including contingency plans, failsafe mechanisms and disaster prevention training. To safeguard customer information, we have taken steps to prevent unauthorized infiltration of our computer systems and to strictly guard confidentiality. We share data on system breakdowns and information security incidents internally to help prevent the recurrence of similar events.

**Operational Risk Management**

Operational risk refers to losses sustained due to defective internal control systems and disasters and other external factors. We deal with a wide variety of risks related to staff management, criminal activity, transactions with customers, legal and compliance matters, disasters, strategy and business management, regulation changes, and business reputation in addition to liquidity, operations, and information security risks. In response to the growing need for a system to cope with these operational risks, the Basel Committee on Banking Supervision is considering requiring banks to charge operational risks to capital in its proposed New Basel Capital Accord. To manage group-wide operational risk, we collect, classify, and manage data on losses incurred in the past, and we are developing a risk-assessment system including operational risk control, which measures operational risk.

**Compliance**

We consider compliance to be one of the most important considerations in conducting our businesses. As such, we regularly review our compliance systems and seek enhancements throughout our organization. Our holding company actively participates in the planning of our overall compliance efforts and continuously monitors and supervises the status of these efforts. Our Audit & Compliance Committee, which includes directors in charge of compliance at the holding company and our subsidiary banks, holds quarterly meetings and considers items needed to improve and strengthen our overall compliance framework. The holding company’s Compliance Advisory Committee, which comprises external experts such as in law and accounting, also aims to improve the effectiveness and transparency of our compliance efforts, through making relevant proposals to the board of directors of our holding company.

Our subsidiary banks each maintain an office dedicated to the coordination of compliance related activities. These offices seek to raise staff awareness of compliance issues through implementing compliance programs and issuing and updating compliance manuals that explain relevant legal requirements and internal rules, as well as through various staff training sessions. Compliance Committee meetings are held at regular intervals to confirm the bank’s compliance status and to discuss related important topics. Compliance officers are appointed at all of our domestic and overseas headquarters and branch offices to perform periodic self-assessment and training. Independent checks are performed by separate internal audit sections to assess the effectiveness of our compliance measures.
Internal Audit

Internal audit is a process by which the internal auditing sections independently verify the adequacy and effectiveness of internal control systems of the business operations. The Audit Office of Bank of Tokyo-Mitsubishi and the Audit Division of Mitsubishi Trust Bank are independent of the activities they audit. They monitor the risk management process in the business operations and evaluate the effectiveness of internal control systems. These sections seek to improve and correct any problems or issues identified.

In establishing efficient and effective audit work schedules, the type and magnitude of risks involved are considered in determining the frequency and depth of the audit activities. In the Audit and Compliance Division of the holding company, we have a Monitoring Group which evaluates and verifies appropriateness and effectiveness of internal control structures, including our risk management structure. As a core component of its activities, we utilize process-oriented audits advocated by the Committee of Sponsoring Organizations of the Treadway Commission in a way that ensures the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. We have carried out audit-related joint projects with subsidiary banks, including business integration audits, establishment of general audit guidelines, and joint training programs.

The Audit & Compliance Committee, which includes directors in charge of internal audit and compliance at the holding company and our subsidiary banks, holds quarterly meetings. The Committee discusses our internal audit structure and important policies for the Group. The Committee also reviews various projects and, if appropriate, promotes them group-wide.

Item 12. Description of Securities Other Than Equity Securities.

Not applicable.