

May 31, 2005

EXPLANATION OF FY2004 FINANCIAL RESULTS  
COMMENTS BY PRESIDENT TAMAKOSHI

I am Ryosuke Tamakoshi, President of UFJ Holdings. It is my pleasure to present an explanation of the FY2004 financial results of the UFJ Group. Please refer to a tab named UFJ.

The major features of the UFJ Group financial results were as follows:

1. Firstly, the Group undertook decisive measures to resolve its NPL problem. In particular, it took the necessary steps to pave the way for the rehabilitation of its large troubled borrowers.
2. As a result of these measures, the Group was unable to avoid reporting a significant net loss for FY2004. However, if you look at revenues, each business reported a steady level of gross operating profit in FY2004. The Group has also focused on reducing general and administrative expenses. As a result, business profit before net transfer to general reserve exceeded the planned amount for the year.

The UFJ Group has made steady progress in relation to two business challenges – making a clear break from its NPL problem and improving its profitability. I believe that the foundation has been laid for the establishment of a new group with the management integration with MTFG. As MTFG's President and CEO, Mr. Kuroyanagi, explained a short time ago, preparations for the merger with MTFG on October 1, 2005, are proceeding smoothly.

***(Slide 1: Financial Highlights for FY2004)***

I would now like to discuss UFJ's financial highlights for FY2004. Please refer to page 1 of the presentation.

Gross operating profit and business profit before net transfer to general reserve declined in FY2004, due to a reduction in gains and losses on bonds. However, business profit exceeded the planned amount by more than Yen 20.0 bn, totaling Yen 767.5 bn, on a combined basis of UFJ Bank and UFJ Trust.

On the other hand, expenses related to the disposal of NPL, which include credit related expenses and revaluation losses on preferred shares acquired in the process of rehabilitating large troubled borrowers, resulted in more than Yen 1 tn. As a result, UFJ Bank and UFJ Trust reported a net loss of Yen 681.9 bn, and UFJ Holdings posted a net consolidated loss totaling Yen 554.5 bn.

***(Slide 2: Initiatives to Reduce Problem Loans - Balance)***

Please turn to the next page of the presentation. I will now discuss the status of our

problem loans.

The UFJ Group has been focusing on implementing significant initiatives for large troubled borrowers with the aim of achieving a problem loan ratio of less than 4% and to rid itself completely of this issue. As a result, the problem loan balance fell from Yen 4.1 tn at the end of September, 2004 to Yen 1.7 tn at the end of March, 2005, a reduction of around Yen 2.4 tn in six months. The problem loan ratio fell by 5.3 percentage points to 4.12% in March, 2005, which is slightly higher than our target. However, we think we have substantially achieved the target, considering we have completed all the necessary measures to ensure that we will achieve a problem loan ratio of less than 4% in the first half of FY2005, with the assistance of the Industrial Revitalization Corporation of Japan (IRCJ).

If we look at the problem loans by classifications, doubtful loans decreased significantly, because of the upgrading of the remaining loans thanks to the implementation of comprehensive measures to revitalize the major large troubled borrowers, or because of off-balancing activities such as loan sales.

Other special mention loans have increased as a result of upgrades from lower categories. However, "broadly defined problem loans", which includes other special mention loans, decreased by a total of around Yen 2 tn, meaning that the risk related to problem loans is declining steadily.

***(Slide 3: Initiatives to Reduce Problem Loans – Credit Related Expenses)***

Please refer to page 3.

Credit related expenses for UFJ Bank and UFJ Trust totaled Yen 789.0 bn, Yen 181.0 bn less than the estimated Yen 970.0 bn. As a result of the increase in the historical loss ratio, the general reserve was at a high level. Therefore, reversals from reserves associated with collections in the second half of FY2004 exceeded expectations.

In addition to credit related expenses, we incurred losses related to preferred shareholdings which we subscribed for as part of providing past financial assistance. I will mention this matter later on page 12 of Gains/Losses on Equities slide.

Regarding credit related expenses in the first half of FY2005, we expect approximately Yen 180.0 bn to be transferred back from the general reserve due to the decline in the historical loss ratio in the second half of FY2004. On the other hand, as a result of estimating the effect of the merger with MTFG conservatively, we are expecting additional provisions of Yen 120.0 bn. Combined with the recurring credit related expenses, we expect Yen 55.0 bn write back, which will contribute to our earnings.

***(Slide 4: Initiatives to Reduce Problem Loans – Collateral & Reserves)***

Page 4 shows the status of collateral and reserves.

As the graph on the left hand side shows, as the disposal of problem loans has progressed, the uncovered portion from Sub-standard and Doubtful borrowers has declined steadily over the past few years, reaching Yen 0.5 tn at the end of March, 2005. This is because of the progress of the rehabilitation of large borrowers, from whom we obtained a relatively limited amount of collateral and guarantees.

***(Slide 5: Earnings by Business Lines)***

Please refer to page 5. I would now like to discuss UFJ's earnings.

Business profit before net transfer to general reserve totaled Yen 767.5 bn for UFJ Bank and UFJ Trust in FY2004. Retail banking and corporate banking both recorded an increase in gross operating profit due to the growth of non-interest income. In addition, with lower general and administrative expenses, business profit exceeded the planned amount by Yen 22.5 bn. However, total business profit declined when compared with FY2003, due to a decrease in market related income.

***(Slide 6: Income from Loans & Deposits (1))***

Please refer to page 6. I would now like to discuss income from loans and deposits.

In regards to income from loans and deposits, housing loans and lending to SMEs remain strong. However, the income fell by Yen 43.0 bn compared with FY2003, due to problem loans disposal and the financial restructuring of large corporations.

The average loan balance declined by approximately Yen 1.4 tn, which included Yen 1.3 tn within the Corporate Advisory Group, whose role was to reduce problem loans.

UFJ Bank's domestic loan yield declined by five basis points to 1.68%. The decline in yields was mainly due to increased competition in housing loans and for corporations with a high credit rating, and the reduction of the balance of problem loans with relatively high yields.

***(Slide 7: Income from Loans & Deposits (2))***

Page 7 sums up the activities and performance of our lending business on a divisional basis.

The highlights are as follows:

1.The retail loans business recorded a Yen 890.0 bn increase in the average loan balance, due to new housing loans of Yen 1.56 tn.

2.The corporate loans business recorded a Yen 220.0 bn increase in the average loan balance to SMEs, due to "business loan" origination of Yen 610.0bn.

In addition, we are developing a new market from May 2005, with the introduction of BIZWAY, a new card loan for smaller enterprises / proprietors, which does not require collateral.

***(Slide 8: Non-interest Income (1))***

***(Slide 9: Non-interest Income (2))***

***(Slide 10: Non-interest Income (3))***

I would now like to discuss slides 8-10, which are related to non-interest income, such as fee income and trust-related business income.

Non-interest income has increased steadily over the past few years. The non-interest income ratio reached to 44.8 % in FY2004 H2 and it was 43.1% in FY2004.

On a divisional basis, the main features of this business in FY2004 were as follows:

1.As shown on page 9, in retail business, investment product sales, particularly of variable annuities, increased significantly, reflecting the increasingly diversified investment needs of individuals in the ongoing low interest rate environment.

2.In corporate business, we developed small-lot, standardized products for use in settlement, investment banking and derivatives. As a result, such products are increasingly being used by SMEs, as well as by large corporations.

3.As shown on page 10, in the trust-related business, real estate fee income, in particular, is growing significantly, due to the sharing of information within the UFJ Group. In addition, group-wide co-operation has been promoted in trust related businesses for private clients. Since January 2005, each UFJ branch started offering inheritance related services utilizing a trust agency system.

***(Slide 11: General & Administrative Expenses)***

UFJ has invested in the "UFJ24" project to improve the services it provides, or in developing new products, aiming at enhancing profitability. However, this cost has been more than offset by decrease in personnel expenses resulting from large cuts in employee bonuses and a reduction in the workforce. As a result, general and administrative expenses of UFJ Bank and UFJ Trust declined by Yen 36.1 bn in FY2004.

***(Slide 12: Gains/Losses on Equities)***

I will now discuss gains and losses on stocks and other equity securities. Please refer to page 12.

UFJ Bank and UFJ Trust reported a Yen 225.2 bn loss on stocks in FY2004. This was mainly due to the need to realize revaluation losses resulting from the implementation of strict rules for valuation of preferred stocks. Specifically, we reported revaluation losses of Yen 270.0 bn on preferred stocks acquired in providing past financial assistance to large troubled borrowers, and Yen 130.0 bn on stocks issued by subsidiaries, including a housing loans guarantor.

In addition to this, we reported Yen 64.5 bn of net transfer to reserve for losses on securities.

***(Slide 13: Equity & Bond Portfolio)***

Page 13 shows the balance and unrealized gains and losses on stocks and bonds. The unrealized gain on available-for-sale securities at the end of March 2005 totaled approximately Yen 400.0 bn

***(Slide 14: BIS Capital Ratio)***

Next, I will discuss our BIS capital ratio. Please refer to page 14.

UFJ Holdings posted a net consolidated loss of Yen 554.5 bn in FY2004 as a result of its efforts to improve its balance sheet. In order to reinforce its capital base that would have been impacted by this loss, UFJ Bank issued preferred shares to MTFG and received capital amounting to Yen 700.0 bn in September 2004. Additional capital was reallocated within the UFJ Group .

As a result, the consolidated BIS capital ratio as of the end of March 2005 was 10.39% for UFJ Holdings. Moreover, since we have advanced our initiatives to counter financial risk factors, we believe that uncertainties concerning future capital adequacy have been greatly reduced.

***(Slide 15: Deferred Tax Assets (DTA))***

Next, I will discuss deferred tax assets. Please refer to page 15.

The net balance of deferred tax assets, as of the end of March 2005, was approximately Yen 1.09 tn. This represents a decline of Yen 110.0 bn from the end of September 2004, due to conservative estimates of future earnings and the increase in the amount of deferred tax liabilities, which resulted from the rise in unrealized gains on available-for-sale securities.

***(Slide 16:Forecasts for FY2005 H1)***

Please refer to page 16. I would now like to provide an explanation of our forecasts for FY2005.

UFJ Holdings plans to merge with MTFG on October 1, 2005, subject to approval at the shareholders' meeting. Accordingly, we are only announcing forecasts for the UFJ Group for FY2005 H1.

UFJ Holdings is expected to post a consolidated net income of Yen 140.0 bn for FY2005 H1. On a subsidiary banks combined basis, business profit before net transfer to general reserve is estimated to reach Yen 315.0 bn. Credit related expenses are estimated at minus Yen 55.0 bn, which will contribute to our earnings.

The estimate for business profit before net transfer to general reserve is low, compared with FY2004. This is because the planned gain on bonds in FY2005 H1 is expected to be less than Yen 75.0 bn posted in FY2004 H1.

I have already discussed the impact of the integration with MTFG on credit related expenses. On top of this, we estimate other costs related to the integration of Yen 110.0 bn in FY2005 H1.

We deeply regret to announce that we will not be distributing not only dividends for ordinary shares, preferred shares and preferred securities for fiscal year 2004, but also dividends for OPCO securities which were scheduled to be paid in June 2005. This decision was made after carefully and comprehensively considering the difficult financial position at the end of FY2004, which includes consolidated losses for four consecutive terms and the lack of distributable profit at the holding company level.

We deeply regret having to announce this situation as we take such issues very seriously. We would like to extend our sincere apologies to our shareholders and investors.

The UFJ Group is committed to continuing to improve its profitability. We also aim to be recognized as a truly comprehensive financial group by successfully merging with MTFG. By doing so, we aim to restore the confidence of all our supporters.

As Mr. Kuroyanagi explained a short time ago, preparations for the establishment of MUFG are proceeding smoothly. I promise to make an effort toward creating a leading financial group with the world's largest assets by leveraging the strongest customer base in Japan and domestic and global network.

This concludes my explanation concerning the FY2004 financial results of the UFJ Group.

## **Filings with the U.S. SEC**

Mitsubishi Tokyo Financial Group, Inc. (“MTFG”) filed a registration statement on Form F-4 (“Form F-4”) with the U.S. SEC in connection with the proposed management integration of UFJ Holdings, Inc. (“UFJ”) with MTFG. The Form F-4 contains a prospectus and other documents. UFJ plans to mail the prospectus contained in the Form F-4 to its U.S. shareholders prior to the shareholders meeting at which the proposed business combination will be voted upon. The Form F-4 and prospectus contains important information about MTFG, UFJ, management integration and related matters. **U.S. shareholders of UFJ are urged to read the Form F-4, the prospectus and the other documents that are filed with the U.S. SEC in connection with the management integration carefully before they make any decision at the UFJ shareholders meeting with respect to the proposed business combination.** The Form F-4, the prospectus and all other documents filed with the U.S. SEC in connection with the management integration will be available when filed, free of charge, on the U.S. SEC’s web site at [www.sec.gov](http://www.sec.gov). In addition, the prospectus and all other documents filed with the U.S. SEC in connection with the management integration will be made available to shareholders, free of charge, by calling, writing or e-mailing:

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In addition to the Form F-4, the prospectus and the other documents filed with the U.S. SEC in connection with the management integration, MTFG is obligated to file annual reports with, and submit other information to, the U.S. SEC. You may read and copy any reports and other information filed with, or submitted to, the U.S. SEC at the U.S. SEC’s public reference rooms at 450 Fifth Street, N.W., Washington, D.C. 20549 or at the other public reference rooms in New York, New York and Chicago, Illinois. Please call the U.S. SEC at 1-800-SEC-0330 for further information on public reference rooms. Filings with the U.S. SEC also are available to the public from commercial document-retrieval services and at the web site maintained by the U.S. SEC at [www.sec.gov](http://www.sec.gov).

## **Forward-Looking Statements**

This communication contains forward-looking information and statements about MTFG, UFJ and their combined businesses after completion of the management integration. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “expect,” “anticipates,” “believes,” “intends,” “estimates” and similar expressions. Although MTFG’s and UFJ’s management believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of UFJ securities are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of MTFG and UFJ, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public filings with the SEC and the local filings made by MTFG and UFJ, including those listed under “Cautionary Statement Concerning Forward-Looking Statements” and “Risk Factors” in the prospectus included in the registration statement on Form F-4 that MTFG filed with the U.S. SEC. Other than as required by applicable law, MTFG and UFJ do not undertake any obligation to update or revise any forward-looking information or statements.