Corporate Profile

Mitsubishi Tokyo Financial Group, Inc.

Mitsubishi Tokyo Financial Group, Inc., is a holding company established to oversee the operations of The Bank of Tokyo-Mitsubishi, Ltd. (BTM), and The Mitsubishi Trust and Banking Corporation (MTBC) and their subsidiaries. Its primary responsibilities center on facilitating business synergies among the entities of the Mitsubishi Tokyo Financial Group (MTFG), on setting the Group's overall strategic directions, and on managing the Group's risk globally. Shares of the holding company trade on the Tokyo, Osaka, New York (NYSE ticker: MTF), and London stock exchanges.

Group member banks BTM and MTBC are leading commercial and trust banks, respectively. BTM offers an extensive scope of commercial and investment banking products and services. It also provides trust and asset management services in close cooperation with MTBC. The BTM Group's global network, spanning 44 countries, is unrivaled among its Japanese peers. MTBC provides a full array of trust and banking offerings to meet the financing and investment needs of retail and corporate clients in Japan and around the world. These include pension, asset management, fiduciary, real estate, stock transfer agency, financing, and other services.

Contents

All figures contained in this report are calculated according to U.S. GAAP, unless otherwise noted.

This document contains statements that constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements do not represent any guarantee by management of future performance. In addition, certain forward-looking statements represent targets that management will strive to achieve by implementing MTFG's business strategies. Such targets are not projections, do not represent management's current estimates, and may not be achieved.

All forward-looking statements involve risks and uncertainties. MTFG may not be successful in implementing its business strategies, and management may fail to achieve its targets, for a wide range of possible reasons, including adverse economic conditions in Japan, the United States, or other markets; declining real estate or stock prices; additional corporate bankruptcies or additional problems in business sectors to which MTFG companies lend; difficulties or delays in integrating MTFG's businesses and achieving desired cost savings; increased competitive pressures; changes in laws and regulations applicable to MTFG's businesses; and adverse changes in Japanese economic policies.

Please see the annual report on Form 20-F for the fiscal year ended March 31, 2002, filed by MTFG, for additional information regarding the risks in our businesses.

Financial Highlights

Mitsubishi Tokyo Financial Group, Inc.

Yen: in billions except per share data and percentages
U.S. dollars: in millions except per share data and percentages

	Years ended March 31, 2001	2002	
	Yen	**Yen**	**U.S. Dollars [1]**
Operating results data:			
Net interest income	¥ 972	**¥ 1,078**	**$ 8,123**
Provision for credit losses	797	**602**	**4,534**
Non-interest income	956	**701**	**5,281**
Non-interest expense	1,128	**1,501**	**11,313**
Income tax expense (benefit)	63	**(102)**	**(767)**
Cumulative effect of a change in accounting principle, net of tax	—	**6**	**44**
Net loss	(59)	**(217)**	**(1,632)**
Amounts per share:[2]			
Basic and diluted loss per common share			
—loss before cumulative effect of a change in accounting principle	¥ (12,274.55)	**¥ (40,789.57)**	**$ (307.38)**
Basic and diluted loss per common share—net loss	(12,274.55)	**(39,733.32)**	**(299.42)**
Cash dividends declared during the year:			
—Common shares	8,255.25	**4,127.63**	**31.10**
—Preferred shares (Class 1)	82,500.00	**41,250.00**	**310.85**
—Preferred shares (Class 2)	16,200.00	**8,100.00**	**61.04**
Balance sheet data at year-end:			
Total assets	¥ 93,489	**¥ 94,365**	**$ 711,116**
Loans, net of allowance for credit losses	47,954	**48,495**	**365,445**
Total liabilities	90,288	**91,739**	**691,323**
Deposits	60,106	**63,660**	**479,725**
Shareholders' equity	3,201	**2,626**	**19,793**
Average balances (unaudited):			
Interest-earning assets	¥ 83,396	**¥ 85,192**	**$ 641,992**
Interest-bearing liabilities	75,750	**78,750**	**593,442**
Total assets	89,341	**92,376**	**696,127**
Shareholders' equity	3,464	**3,046**	**22,951**
Return on equity and assets (unaudited):			
Net loss as a percentage of total average assets	(0.07)%	**(0.23)%**	**(0.23)%**
Net loss as a percentage of average shareholders' equity	(1.71)%	**(7.11)%**	**(7.11)%**
Average shareholders' equity as a percentage of total average assets	3.88%	**3.30%**	**3.30%**
Net interest income as a percentage of total average interest-earning assets	1.17%	**1.27%**	**1.27%**
Credit quality data:			
Allowance for credit losses	¥ 1,717	**¥ 1,735**	**$ 13,076**
Allowance for credit losses as a percentage of loans	3.46%	**3.45%**	**3.45%**
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 4,273	**¥ 4,165**	**$ 31,386**
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	8.60%	**8.29%**	**8.29%**
Risk-adjusted capital ratio calculated under Japanese GAAP (unaudited)[3]	10.15%	**10.30%**	**10.30%**

[1] *The U.S. dollar amounts represent translations, for the convenience of readers, of yen amounts at the rate of ¥132.70 = US$1, the noon buying rate in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York on March 29, 2002.*

[2] *For the year ended March 31, 2001, amounts have been adjusted to reflect the stock-for-stock exchanges creating Mitsubishi Tokyo Financial Group, Inc.*

[3] *The ratio for the year ended March 31, 2001, represents the combined risk-adjusted capital ratio of the Bank of Tokyo-Mitsubishi, Ltd., and the Mitsubishi Trust and Banking Corporation before any combination-related adjustments.*

Message from Management

Mitsubishi Tokyo Financial Group, Inc., is pleased to report on its performance and progress in its first full fiscal year, ended March 31, 2002. Fiscal 2001 was marked by severe challenges, including the September 11, 2001, terrorist attacks in the United States, and economic turbulence, in Japan and around the world. Despite this environment, MTFG and its subsidiaries (the Group) remained focused on attaining their objectives.

With a view to significantly raising overall competitiveness, the Group made headway in addressing its problem loans, in reducing its equity portfolio, and in enhancing its profit growth potential. Although we regret to report that the first two of these necessary steps compelled us to record a consolidated net loss for the period, we are pleased to confirm that we continued to work toward our profitability goals. Additionally, MTFG announced its new Medium-Term Business Plan in fiscal 2001, which includes an explanation of the Group's management philosophy. That plan lays out the specific initiatives and targets that will enable the Group to become more diverse and globally competitive and to remain one of Japan's premier financial services providers.

Consolidated fiscal 2001 performance

Because fiscal 2001 marked MTFG's first full fiscal period, financial information for the previous fiscal year has been restated in this report to allow for annual comparisons.

Despite a turbulent environment, the Group remained focused on attaining its objectives.

In fiscal 2001, MTFG's consolidated net interest income climbed 10.9% from the previous year, to ¥1.08 trillion. This increase was largely the result of an increase in foreign interest-earning assets, including overseas investment securities and foreign loans. Fees and commissions, a key growth focus for the Group, increased 7.1%, to ¥491.9 billion. This performance was due in large part to progress made in our trust banking, investment banking, and asset management businesses. MTFG's fiscal 2001 performance was affected, however, by the combination of poor market conditions and the steps the Group determined to take to strengthen its financial health. Our trading account profit declined ¥91.0 billion during the period because of unfavorable markets and the low interest rate environment. Despite a depressed equity market in fiscal 2001, we also aggressively reduced our equity portfolio holdings in the period, thereby incurring a sharp drop in net investment securities gains, to ¥20.6 billion, from ¥232.5 billion the year before. Non-interest expenses, meanwhile, climbed 33.1% from the previous fiscal year, mostly because of foreign exchange losses and growth in overseas operating expenses.

The Japanese economy remained fragile during fiscal 2001, sustaining a high level of corporate bankruptcies and payment defaults. At MTFG, we were able to reduce our provisioning for credit losses during the period, to ¥601.7 billion, from ¥797.1 billion the year before. However, loan charge-offs and other provisions left our allowance for credit losses at ¥1.74 trillion, up marginally from the prior fiscal year.

MTFG recorded a consolidated net loss of ¥216.5 billion in fiscal 2001, compared with a net loss of ¥59.2 billion the previous fiscal year. Although we successfully grew our strategically critical fee-driven businesses, we are determined to improve our overall profitability as soon as possible.

MTFG's risk-adjusted capital ratio, calculated under accounting principles generally accepted in Japan (Japanese GAAP), increased to 10.30% at the end of the fiscal year, from 10.15% on March 31, 2001. The ratio at March 31, 2001, was computed based on the combined amounts of BTM and MTBC.

Akio Utsumi, Chairman & Co-CEO (left), *and Shigemitsu Miki, President & CEO*

The Medium-Term Business Plan: a roadmap to financial strength

MTFG is vigorously meeting the fiscal challenges facing the Japanese financial industry. In November 2001, we unveiled our comprehensive Medium-Term Business Plan. In line with developments and the introduction of new business strategies, we released an updated plan in May 2002, following the end of the fiscal period under review.

The plan offers a strategic framework for dealing with the unprecedented deterioration of our operating environment. Its fundamental management principle is to restore shareholder value, and in pursuing that principle we are placing our highest priority on decisively addressing the disposal of problem loans and on substantially reducing our equity portfolio. Another key initiative—crucial to establishing stable, well-rounded growth over the medium term—is to increase our profitability by

Message from Management

boosting revenues and by cutting operating costs.

We have established specific targets for key initiatives of the plan and have set fiscal 2004 as their completion date. We believe the plan's three-pronged focus—on our problem loans, equity portfolio, and profitability—will ensure the long-term stability, viability, and leadership of MTFG.

We have already made important progress toward our targets. Considerable work, though, remains to be done. Following is a detailed discussion of the plan and an update on fiscal 2001 achievements.

Disposing of problem loans

In accordance with Japanese government initiatives, MTFG is committed to removing, within two years, all outstanding loans categorized as under high risk of bankruptcy or worse. MTFG is also committed to addressing any new problem loans of this type within three years.

We progressed toward these targets in fiscal 2001 by carrying out disposals through our use of Japan's Resolution and Collection Corporation (RCC) and other methods. We will continue working closely with the RCC and all parties to accelerate our efforts and will engage in traditional bulk sales, debt-equity swaps, and other initiatives to deal with problem loans. We are also seeking to prevent the emergence of new bad debts by implementing a business model that better identifies bad debt precursors and that signals earlier the potential need for intervention.

Reducing equity portfolio holdings

Under Japanese GAAP, MTFG seeks during the period from October 2001 to September 2004 to have reduced its equity portfolio by ¥2.65 trillion to effectively manage risks and to satisfy legal requirements. We have made important headway toward accomplishing this goal by using exchange-traded funds, straight market sales, and other strategies. In fiscal 2001, we sold approximately ¥1 trillion worth of equity holdings, and by the end of fiscal year 2002 we seek to dispose of an additional ¥1 trillion.

Enhancing operating profitability

The Group recognizes that notable enhancements to operating performance are vital to restoring growth. Our initiatives in this respect are twofold: increase revenues and reduce operating costs.

Improving revenues across the Group

BTM and MTBC compile and manage comprehensive growth plans for their businesses. The business plans being pursued by BTM and MTBC are the Long-Term Business Plan (2002) and the Revised 7th Medium-Term Management Plan, respectively. These are aggressive plans that focus on the growth of lending margins and volumes, increases in fee income, improved risk management systems, increased operational efficiencies, and maximized integration synergies. They form initiatives fundamental to MTFG's overall revenue growth strategy.

Fostering growth synergies through operational integration is an important initiative that we are pursuing to enhance revenues. Our main challenges are the smooth integration of any merged businesses and the effective realization of business synergies among once-separate companies. For instance, we know that our banking subsidiaries BTM and MTBC can realize powerful advantages by cooperating to develop and distribute specialized products across their expansive client bases.

We are pleased to report success on these fronts in fiscal 2001. We are equally pleased that our Medium-Term Business Plan targets further synergies in the years ahead.

1. Trust business synergies. MTFG's three trust banking entities—MTBC, Nippon Trust Bank Limited, and the Tokyo Trust Bank, Ltd.—were merged in October 2001 to form a renewed MTBC. The Group has since taken strides in building the newly merged company's high-end businesses. In fiscal 2001, for instance, MTBC worked closely with BTM to offer customers securitization strategies that reduce interest-bearing debt or that increase asset liquidity based on diverse, large-scale real estate holdings. MTBC also expanded its number of large pensions in trust by offering more-comprehensive consulting services. And it increased its stock transfer agency services to listed and soon-to-be-listed companies. BTM, meanwhile, became licensed to serve as MTBC's trust agency, better enabling the former to market trust banking products to its large client base.

2. Securities and investment banking integration. Another focus of the Medium-Term Business Plan is the strategic integration of MTFG's securities subsidiaries by September 2002. The complementary retail securities and investment banking businesses of KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd., and Issei Securities Co., Ltd., will be integrated to form a comprehensively equipped securities firm named Mitsubishi Securities Co., Ltd. We expect the new company to absorb and leverage a part of the investment banking operations of BTM and to become one of Japan's leading full-service securities houses.

Focusing on our problem loans, equity portfolio, and profitability will ensure long-term stability and leadership.

3. Additional synergies. Over the course of fiscal 2001, the benefits of the Group's operational integration increased. Our expanded expertise and resources and our broadened client base

MTFG has concrete plans in place to achieve stable growth. We will not be deterred from this aim.

encouraged us to work with subsidiary banks and partners to jointly establish a number of innovative new companies. These include Mitsubishi Tokyo Wealth Management Securities, Ltd., a private banking operation, and Tokyo-Mitsubishi Cash One, Ltd., a consumer finance company. We also heightened our operational efficiencies during fiscal 2001 by integrating our systems and operations centers in Japan and abroad. In addition, BTM and MTBC opened their first joint branch, in Nagoya, Japan, to boost distribution efficiencies among their client bases. That joint operation will be followed by others in due course. Several of these initiatives are detailed in this report because they exemplify how we plan to continue bringing new services and opportunities to our customers.

Paring operating costs

Our Medium-Term Business Plan recognizes the need to improve operating profit. Among the critical ways that we will do this is by rigorously trimming our operating costs and non-core assets.

- We seek to reduce our full-time domestic staff to approximately 18,000 people by the end of fiscal 2004. By the end of fiscal 2001, we had trimmed our staff by more than 1,000 people, to 21,385 personnel.
- We are also aggressively trimming our branch network in Japan. By the end of fiscal 2004, we expect to have pared approximately 50 branches from our domestic network. In fiscal 2001, we shut 32 branches in Japan, bringing our domestic Group network to 351 branches by the end of the period.
- We are, in addition, targeting reductions in our non-core real estate assets, including corporate recreational properties. In fiscal 2001, we closed, sold, or outsourced approximately ¥10 billion of our non-core real estate assets.

Looking ahead

We have set a series of aggressive financial targets to be achieved by the end of fiscal 2004 through initiatives like those described throughout this report. Our Medium-Term Business Plan's key targets for fiscal 2004 year-end—based on Japanese GAAP—include consolidated net income of ¥410 billion and return on equity of approximately 11%. We are also targeting Bank of International Settlements (BIS) capital and Tier 1 ratios of around 12% and 7%, respectively.

Fiscal 2004 targets (Japanese GAAP)

Consolidated net operating profit[1]	¥1,080 billion
Consolidated net income	¥410 billion
Consolidated ROE[2]	Approx. 11%
BIS capital ratio	Approx. 12%
Tier 1 ratio	Approx. 7%

1 *Excluding write-downs on trust accounts and additions to the general reserve for loan losses.*

2 *(Net income – non-convertible preferred share dividends) / average capital (excluding the value of non-convertible preferred shares and appraisal gains or losses).*

Our business no doubt faces lingering macroeconomic and other financial challenges. Nevertheless, we are confident that our Medium-Term Business Plan will enable us to overcome these obstacles and to boost our fiscal health and our lead in core growth areas. MTFG's success in meeting its targets during the first year of the plan underlines its ability to succeed and to stay ahead of its competitors.

The difficult operating environment of fiscal 2001 challenged our determination to continue solidifying our finances and to making investments aimed at realizing our growth. We knew, however, that any wavering from our plan to maximize competitiveness would be damaging and counterproductive. As we enter fiscal 2002, our determination remains steadfast. MTFG and its subsidiary banks have concrete plans in place to achieve stable, healthy growth. And we will not be deterred from this aim.

We are excited as we set out to achieve our goals. And we offer the sincerest thanks to you, our shareholders and clients, for your continued support.

August 2002

Akio Utsumi
Chairman & Co-CEO

Shigemitsu Miki
President & CEO

Management Philosophy

Created in fiscal 2001, our management philosophy imparts the Group's underlying business values and establishes guidelines for all of our activities. This philosophy, moreover, forms the backbone of our strategies and decision making, and represents a core set of principles that guide our people's actions and thinking.

Each entity within the Group possesses its unique management philosophy. Nevertheless, this management philosophy transcends the management philosophies of the subsidiaries and guides the Group overall.

Group Management Philosophy

Founded on the key principles of trust and reliability,[1]
Mitsubishi Tokyo Financial Group[2]
contributes to the prosperity of its customers at home and abroad and of the communities it serves,[3] and continuously creates[4] social and economic value,[5] by providing comprehensive financial services.[6]

Notes

1 *Trust and reliability are two of the most critical attributes required in managing any financial institution. We therefore attach the utmost importance to earning the trust of our customers and the public at large in our people, strategy, policies, and other key assets, and to bolstering reliability in our institution through fair and transparent methods of operation.*

2 *The management philosophy transcends that of each subsidiary and represents the philosophy of the Group overall.*

3 *This sets forth one of the Group’s business objectives. Contributing to the prosperity of its customers at home and abroad is a clear statement of the Group's priority as a private sector company to put customers first and to support their prosperity. We furthermore specify our contribution to communities to underscore the public nature of financial institutions.*

4 *Creation includes “flexibility and development” set forth in the objectives of MTFG's establishment. The phrase “continuously creates” also testifies to the Group’s emphasis on the future.*

5 *Creation of “social and economic value” is another business objective of the Group. Of these, “social value” denotes that the Group will continuously and aggressively respond to changing times. “Economic value,” meanwhile, underlines our aim to maximize shareholder value in today’s market environment.*

6 *The provision of comprehensive financial services is a key rationale behind the business integration underpinning MTFG’s establishment.*

Code of Ethics

The MTFG Code of Ethics was recently created to serve as a set of guiding principles shaping the basic corporate and ethical values of MTFG. We will strive to make the most of it as a core element of our daily activities.

1. Establishment of Trust

Fully cognizant of the importance of the Group's social responsibilities and public role, we strive to maintain unwavering trust from society through the sound and proper management of our business activities, based on the principle of accountability.

2. Serving Our Clients First

We recognize that the satisfaction of our clients and their confidence in MTFG form the foundation of the Group's very existence. As such, we endeavor to always provide our clients with the highest quality products and services best suited to their needs.

3. Sound and Transparent Management

We endeavor to manage our affairs in a sound and transparent manner by maintaining appropriate and balanced relationships with all stakeholders, including clients, shareholders and others, while assuring fair, adequate and timely disclosure of corporate information.

4. Strict Observance of Laws, Regulations, and Internal Rules

We are committed to strictly observing relevant laws, regulations, and internal rules and to acting with fairness and integrity in conformity with the common values of society at large. As a diversified global financial services group, we also make continuous efforts to operate in ways that reflect internationally accepted standards.

5. Respect for Human Rights and the Environment

We respect human rights and the environment and seek to co-exist in harmony with society.

6. Disavowal of Anti-Social Elements

We stand firmly against supporting the activities of any group or individual that unlawfully threatens public order and safety.

Review of Operations

Since its establishment in April 2001, MTFG and its subsidiaries have implemented various initiatives focused on raising the Group's overall competitiveness and on enhancing its long-term profit growth.

There is much to report concerning the Group's progress in streamlining its operational structure, in expanding its innovative and successful range of products and services, and in maximizing synergies through the integration of its member entities.

Strengthening MTFG's operational structure

Trust banking

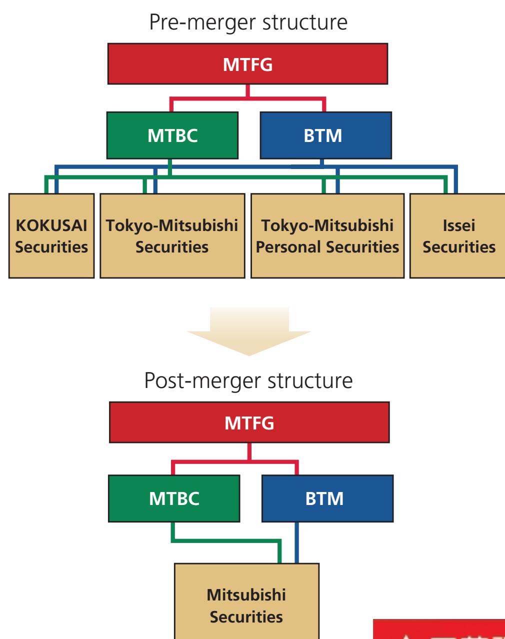
In October 2001, MTFG smoothly completed the merger of its trust banking entities—MTBC, Nippon Trust Bank, and Tokyo Trust Bank—to form a renewed MTBC. The resulting institution combines the individual strengths of its predecessors to offer leading-edge products and services to corporations and individuals. MTBC is focused on maximizing synergies among its operations and has created a dedicated division to achieve these aims. The division's responsibilities include the supervision of 11 new MTBC sales units in 16 locations, which provide customized trust banking services to MTFG's extensive client base.

This merger has created a solid platform for delivering best-of-class trust banking capabilities that meet the market's evolving needs. The new MTBC is already working closely with BTM to deliver products to the latter's massive customer base.

The renewed MTBC is formed in October 2001.

Securities integration

During fiscal 2001, notable progress was made toward the planned September 2002 merger and integration of KOKUSAI Securities, Tokyo-Mitsubishi Securities, Tokyo-Mitsubishi Personal Securities, and Issei Securities. MTFG is working closely with the four institutions to effect their seamless transition to become Mitsubishi Securities Co., Ltd., a comprehensive and leading provider of securities and investment banking services in Japan.



Mitsubishi Securities will form a cornerstone of MTFG's growth and profitability strategy. The new firm will harness the finest capabilities of its predecessor firms—securities brokerage, nationwide distribution, underwriting, and financial solutions structuring and advisory—to provide a full range of innovative financial solutions from a single source. Three policies form its foundation: to provide a wide range of high-quality services; to emphasize trust and contribute to building the financial assets of individuals; and to have strong, effective, and transparent management.

Trust agency agreement and joint banking branches

During the period under review, MTBC received regulatory approval to appoint BTM as its trust agency. This enabled BTM to begin offering trust agency services to its large corporate and individual client base. In April 2002, BTM began providing seven types of services for corporate clients through its nationwide offices. These services encompass pension trusts, securities trusts, special-purpose trusts for treasury stock, retirement benefits trusts, monetary claims trusts, real estate management/disposal trusts, and stock transfer agency services.

MTBC was furthermore granted regulatory approval to offer trust agency services to individual customers through BTM, its trust agency. In May 2002, MTBC and its trust agency, BTM, began marketing Package Trust, a performance-based and jointly operated designated money trust. Package Trust enables individuals to invest in Japanese government bonds and, through the use of derivatives, in leading corporations. It was introduced at BTM's head office and 31 of its domestic branches and simultaneously marketed by MTBC.

Another joint initiative of BTM and MTBC was the launching of joint banking branches. In January 2002, the first such branch opened in Nagoya, followed by a second six months later in Okayama. BTM and MTBC plan to open a third branch, in Kawasaki, in September 2002.

Private banking

Private banking is a rapidly growing sector in Japan because of the evolving investment needs of the nation's high net worth individuals. In February 2002, MTFG member banks BTM and MTBC, together with KOKUSAI Securities, announced their plan to establish Mitsubishi Tokyo Wealth Management (Switzerland), Ltd., in Geneva. This company was subsequently established in July 2002. The new company's subsidiary in Japan, Mitsubishi Tokyo Wealth Management Securities, Ltd., will make its debut in August 2002 and will specialize in services for high net worth individuals. These new companies draw on the know-how in private banking services amassed by BTM in Switzerland, on KOKUSAI's experience in providing family office services to high net worth individuals, and on MTBC's capabilities in trust asset management services. In so doing, they offer wealthy clients sophisticated asset management and administrative solutions. They also offer the advantages and expertise of Swiss-style private banking.

MT Wealth Management

In June 2002, after the close of fiscal 2001, BTM and MTBC joined Meiji Life Insurance Company, The Tokio Marine and Fire Insurance Co., Ltd., and Mitsubishi Estate Company, Limited, in founding Diamond Private Office Co., Ltd. This new financial consulting firm leverages the expertise and know-how of its founder companies to offer high net worth clients a variety of advisory services, including services related to asset inheritance and the efficient utilization of real estate.

Consumer credit

BTM and MTBC teamed in fiscal 2001 with leading consumer credit companies Acom Co., Ltd., DC Card Co., Ltd., and JACCS Co., Ltd., to establish Tokyo-Mitsubishi Cash One Ltd. The new company launched operations in March 2002 and offers unsecured card loans to individual borrowers who access its services through the Internet, telephone, and facsimile. As of the end of May 2002, it dispensed cash through a nationwide network of more than 9,000 ATMs and cash dispensers operated by BTM, MTBC, Acom, DC Card, and others.

Defined contribution consulting

Defined contribution (DC) plans were introduced in Japan in October 2001, and strong growth is anticipated in this sector. In preparation for DC plan activity, MTBC and BTM participated in the launch of Defined Contribution Plan Consulting of Japan Co., Ltd., in March 2001. The new entity, founded in cooperation with Meiji Life Insurance Company and The Tokio Marine and Fire Insurance Co., Ltd., promotes DC plans so that MTBC and BTM may be able to capitalize on the strong growth potential of these plans.

Striving for global growth

BTM in Poland

In April 2002, BTM launched an office in Warsaw, Poland, through its subsidiary Bank of Tokyo-Mitsubishi (Holland) N.V. Bank of Tokyo-Mitsubishi (Polska) Spolka Akcyjna operates under a full banking license and offers a broad array of financial services. These include deposits and loans, cash management services, and foreign exchange transactions between the Polish zloty and the Japanese yen, the Euro, and the U.S. dollar. BTM sees significant growth potential in Poland's large population and the bolstered financial opportunities arising from the nation's impending entry into the European Union. BTM is the only Japanese bank with a presence in central and eastern Europe.

A new Polish office extends the BTM Group's reach.

UNBC

BTM owns 67.5% of UnionBanCal Corporation (UNBC), a publicly traded commercial bank holding company listed on the New York Stock Exchange. As of June 30, 2002, Union Bank of California, N.A., UNBC's bank subsidiary, was the third largest commercial bank in California based on total assets and total deposits.

UNBC has extended its retail product line to include insurance services and refined its retail branch network. With its November 2001 acquisition of Armstrong/Robitaille Business and Insurance Services, one of the top 100 insurance brokers in the United States, UNBC offers an extensive array of cost-effective risk management services and insurance products to corporate and retail customers. In late 2001, UNBC reached a definitive agreement to acquire First Western Bank, which operates a network of seven branches in southern California.

Investment banking

Derivatives

BTM's derivative operations continue to be highly rated in league tables. BTM was selected Derivatives House of the Year in the Japanese derivatives market for 2001 by *Asia Risk* magazine, the second consecutive year it has won the prestigious annual award. BTM is highly regarded for its leadership in sophisticated instruments, such as weather and credit derivatives.

Securitization

Securitization remains another key area of strength for MTFG and its subsidiaries. In fiscal 2001, BTM held ¥2.5 trillion of outstanding asset-backed commercial paper, making it one of the world's largest sponsors of commercial paper. BTM also arranged one of Japan's largest mortgage securitizations, valued at ¥186 billion, and its subsidiary in London, Tokyo Mitsubishi International plc, was the first Japanese financial institution to participate in the U.K. residential mortgage market, undertaking a £390 million securitization transaction. In addition, fiscal 2001 saw MTBC team with a leading U.S. investment bank to successfully structure and place Japan's first nonperforming loan securitization to feature a trust banking scheme.

Syndicated loans

In fiscal 2001, BTM arranged ¥2.3 trillion of syndicated loans in the Japanese market, including a ¥64.5 billion deal jointly arranged with MTBC for a major nonferrous metals company. BTM was also mandated lead arranger of core syndicated loans for National Grid and for France Telecom in Europe, and in the United States it joint lead managed an M&A-related syndicated loan for Weyerhaeuser. BTM is one of the world's leading syndication houses, with operations based in Tokyo, New York, London, Hong Kong, and Singapore, and intends to further strengthen its global business. *International Financing Review* magazine ranked BTM 12th in its global syndicated loans league table for 2001.

Structured finance

BTM's structured finance business also received strong recognition during the year. BTM won the Bank of the Year award from *Project Finance International* magazine in recognition of its business achievements in Europe, the Middle East, and Africa. The bank took a lead role in numerous major projects during the period, among them an A$900 million financing for the acquisition of coal mine interests in Australia.

Corporate advisory services

In fiscal 2001, BTM's M&A teams in Tokyo, New York, and Singapore continued to work closely with their strategic partners in the United States and the United Kingdom to offer top-of-the-line advisory services to MTFG's Japanese and non-Japanese clients. Leveraging its domestic and its cross-border capabilities, BTM worked on several notable transactions during the period. These included the formation of a joint stock company for Japanese airline companies and a Japan-based management buyout conducted in cooperation with a private equity fund.

Domestic bond offerings and placements

During the period under review, BTM acted as either chief commissioned company for bondholders or as fiscal agent in 377 public offerings and private placements totaling ¥1.59 trillion. It also played an active role in the rapidly growing public utility bond sector, handling 37 issues valued at ¥2.75 trillion—a year-on-year increase of 40% and a jump in BTM's market share to approximately half of the domestic public utility bond market. Tokyo Mitsubishi Securities (TMS), meanwhile, lead managed 12.2% of domestic corporate bond issues in fiscal 2001, ranking it fourth among securities companies. Dow Chemical's five-year Samurai bond issue, which TMS joint lead managed, was named *Nikkei Bonds & Financial Weekly* magazine's deal of the year.

Treasury and commercial banking

Foreign exchange trading

Foreign exchange related products and services are a competitive advantage of MTFG. BTM is a pioneer in the Tokyo foreign exchange market and continues to be recognized for its high level of efficiency and reliability in treasury-related products and services. It was ranked number one in that regard in the 2001 *Euromoney* Tokyo FX poll—the second consecutive year it has won the award.

MTBC's Web Site for Fund Forex Trading Total Support Service (WFTS) is a comprehensive Web-based forex service for specified money trust and investment trust funds. That makes it possible for corporate clients, such as investment advisors, to automatically execute trade orders and foreign exchange contracts on-line. Launched in March 2001, WFTS saw its client base expand rapidly during the period under review.

BTM-GCMS

BTM's Global Cash Management Service (BTM-GCMS) is designed to serve as an efficient and reliable electronic banking system for customers with global cash management needs. Leveraging the latest Web technology, BTM-GCMS enables customers to gain easy access to their account information worldwide and to send instructions for money transfers from their overseas accounts using their own PCs. BTM started offering the service outside Japan in May 2000. In fiscal 2001, BTM further introduced the service to its customers in Shanghai, Ho Chi Minh City, Hanoi, and Beijing. The sustained success of BTM-GCMS is reflected in its growing corporate clientele, which numbered in excess of 1,200 as of March 31, 2002.

SQUET and BizSTATION for domestic corporate customers

BTM is vigorously growing its Internet-based services for domestic corporate clients. SQUET, a business portal introduced in June 2002, provides economic news, market updates, and business information to corporate clients. In autumn 2002, BTM will launch BizSTATION, technology that will offer full Web-banking services and state-of-the-art communications security and data encryption facilities. By leveraging advanced technology, BTM seeks to significantly expand its on-line client contact in information dissemination, financial consultation, loan applications, and more.

Shareholder services

Shareholder services are evolving through the use of IT, and MTBC is a leader in this area. The bank ensures that wherever possible it fully leverages technology to enhance service. To address a recent revision to Japan's Commercial Code, which authorizes the application of technology for certain shareholder meeting procedures, MTBC developed a system that lets shareholders exercise their voting rights through the Web. The bank plans to offer further technological innovations.

Asset management and custody operations

Global custody

In October 2001, BTM introduced CASTLE, a Web-based service that underlines the bank's leadership in global custody and securities administration. CASTLE, of which BTM (Luxembourg) S.A. is the main custodian, offers clients diversified services, including custody, securities lending, cash management, and securities clearance services. In November 2001, BTM successfully launched yen custody systems that are in compliance with ISO 15022, the new international standard for securities trading information.

STP systems

In September 2001, MTBC became the first domestic institution to establish a straight-through processing (STP) system for Japanese stocks. The globally operational system boasts enhanced speed and accuracy in prospective T+1 settlement and improves the overall efficiency of MTBC's stock management business. In February 2002, MTBC also implemented an STP system for domestic bonds.

BTM, meanwhile, enhanced its system for pre-settlement matching at the Japan Securities Depository Center Inc. in January 2002. This is an efficient matching system that meets an STP infrastructure prerequisite of realizing T+1.

Corporate pensions

MTBC consolidated its leadership in the management of domestic corporate pension trusts in fiscal 2001. As of March 31, 2002, MTBC managed ¥5.3 trillion in employees' pension funds and ¥2.2 trillion in tax-qualified pensions. MTBC is top in the pension industry in Japan, managing 15%, or ¥12.9 trillion, of Japan's ¥81 trillion in corporate pension assets.

Master Trust Bank of Japan

In May 2002, MTBC transferred the sum of its trust assets to Master Trust Bank of Japan Ltd. (MTBJ), which was jointly established in May 2000 by MTBC, Nippon Life Insurance Company, The Toyo Trust & Banking Co., Ltd. (now UFJ Trust Bank Limited), Meiji Life Insurance Company, and Deutsche Bank. Further asset transfers from major institutions are anticipated, including from UFJ Trust Bank Limited, bringing MTBJ's assets to an expected ¥100 trillion in the near future. MTBC benefits from this entity's effective pooling of asset administration resources and large-scale IT investment.

Real estate business

MTBC continues to build on its established strength in real estate related services. Its Real Estate Business Group works closely with its Corporate Finance Business Unit to add to MTBC's diverse services, which span real estate securitization, development, management, appraisal, brokerage, custody, and advisory. Already the main player in Japan's real estate industry, MTBC extended its dominance in fiscal 2001, recording over ¥1 trillion in real estate related assets in custody at year-end.

Retail banking

Customer access

BTM's Tokyo-Mitsubishi Direct, a 24-hour banking service, continued to make strong headway during the fiscal year under review. An augmented range of financial services—offered by telephone, Internet, and mobile Internet—has succeeded in attracting more than 1.37 million customers as of the end of June 2002. Another service that improves access to financial services is the nationwide network of E-net ATMs set up by BTM, MTBC, and other banks for the convenience of their customers. Recent aggressive network expansion had increased the number of ATMs in convenience stores to 4,151 as of June 30, 2002. BTM customers were also able to access 2,189 ATMs located in Japan's Lawson convenience store network as of the same date.

Life Plan Consulting

In July 2001, BTM introduced Life Plan Consulting desks in 38 of its domestic branches. The desks are designed to provide advice on borrowing and asset management plans geared to individuals' life stages. Life Plan Consulting desks are now available in 111 BTM branches, or approximately half of BTM's domestic branch network. Customers benefit from a range of financial planning simulations that includes analyses of lifetime projected cash flow, savings needs, and other critical data.

Main Bank *sogo* service

BTM's comprehensive Main Bank *sogo* service, introduced in January 2001, has recorded sustained success since its launch. Main Bank focuses on the diverse needs of retail customers. It aims to serve as a banking platform that provides lifetime support for customers' financial needs. As such, it offers a range of benefits. These encompass waived charges for ATM services, including those provided at convenience stores, and lower charges on loans, depending on the individual's transaction status with the bank. The service has strong appeal among retail customers despite BTM's introduction of accounting fees for balances under ¥100,000, a first for a Japanese bank. Main Bank was awarded the Nikkei Award for Superior Products and Services by Nihon Keizai Shimbun, Inc., and boasted over one million account holders as of early May 2002.

Excellent Club

MTBC's Excellent Club also continues to meet with the approval of retail banking customers. The membership-only service targets high net worth households with attractive financial benefits—such as reduced ATM charges, better interest rates, and real estate transaction and inheritance support—and with nonfinancial benefits, including consultations on medical and nursing care and travel arrangements. As of the end of fiscal 2001, Excellent Club boasted over 230,000 household memberships and MTBC is continuing to seek ways to enhance the attraction of this service.

Excellent Club offers high net worth individuals a range of targeted services.

Testamentary and inheritance services

MTBC is likewise enhancing its testamentary trust and inheritance-related consulting capabilities. To its established consulting expertise in will custody and execution and in inheritance advice, MTBC has added an estate administration service that analyzes and simulates possible estate management models and that offers solutions tailored to the needs of individual customers.

Operational improvements

Broadband network

As part of an initiative to bolster its overall IT infrastructure, BTM has begun implementing a broadband network that is scheduled to link its domestic branch operations by March 2003. The network, which employs fiber-optic technology, will represent the first wide-area Ethernet network used by a Japanese city bank and an increase in network speed of up to 24 times. It is expected to revolutionize BTM's business processes, markedly reducing network operating costs and increasing client service efficiencies.

Contributing to Society

MTFG and its employees participate in diverse charitable and volunteer activities that serve the needs of the global regions in which the Group operates. In fiscal 2001, an increasing number of our employees, both in Japan and abroad, took part in volunteer activities, reflecting MTFG's strong commitment to working closely with the communities with which it coexists. These activities focus on financial and nonfinancial contributions.

Scholarships are important in promoting educational and cultural exchange between Japan and its neighboring countries. BTM offers scholarships to Asian students, while MTBC actively supports Japanese and foreign students through its scholarship foundation, which has been in existence for almost 50 years.

BTM and MTBC also make annual financial donations to Japanese public institutions and charities, such as welfare institutions for children. Overseas, BTM runs a Matching Gift Program whereby employees' eligible private contributions are matched yen for yen with funds from the bank. Financial support from both banks in fiscal 2001 included volunteer funds assisting those most affected by the tragic events of September 11 in the United States.

Environmental programs, too, are of concern to MTFG. MTBC has long instituted recycling in its operations in recognition of the growing threat that improper waste disposal poses to the environment. Furthermore, MTBC is aggressively implementing initiatives to significantly reduce the amount of paper used at its various operations.

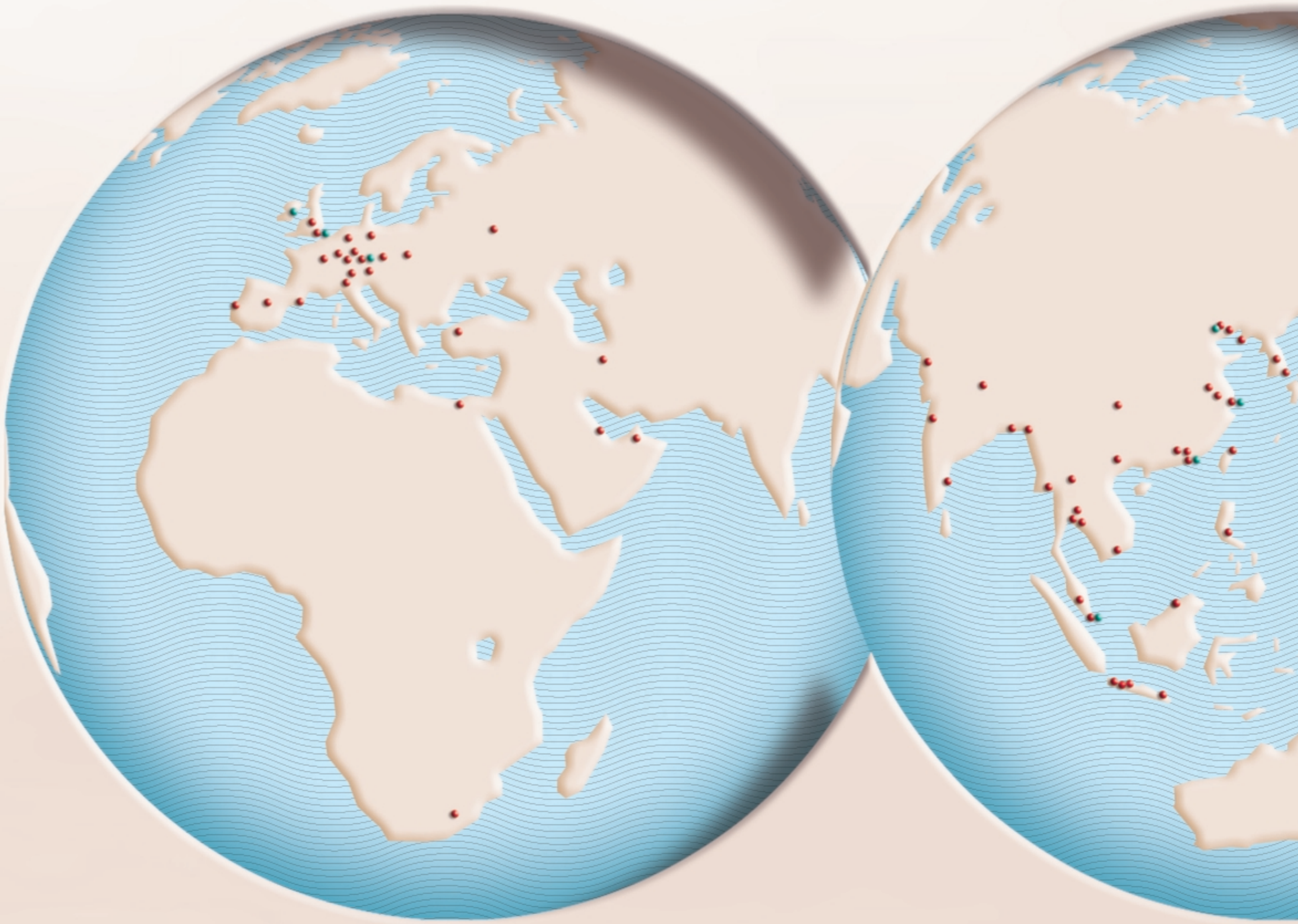
And following earlier initiatives, BTM began working closely with Japan's Energy Service Company (ESCO) to implement energy-saving measures at BTM's head office and another facility in April 2002. BTM believes that it is the first financial institution in Japan to work with ESCO.

MTFG will continue to contribute in every way possible to activities that benefit the lives of people and communities around the world.

Global Network

(As of June 1, 2002)

MTFG delivers global reach. The Group has the broadest international network among its Japanese peers. Covering 45 countries and territories on six continents, MTFG's network gives its customers access to all the world's major financial markets and key developing regions. An extensive reach is a core resource for MTFG as it services its growing global customer base.



Europe, the Middle East, and Africa

London
Birmingham
Dublin
Paris
Brussels
Düsseldorf
Munich
Frankfurt
Hamburg
Berlin
Milan
Madrid
Barcelona
Lisbon
Moscow
Amsterdam
Luxembourg
Zürich
Warsaw
Bahrain
Istanbul
Cairo
Tehran
Abu Dhabi
Johannesburg

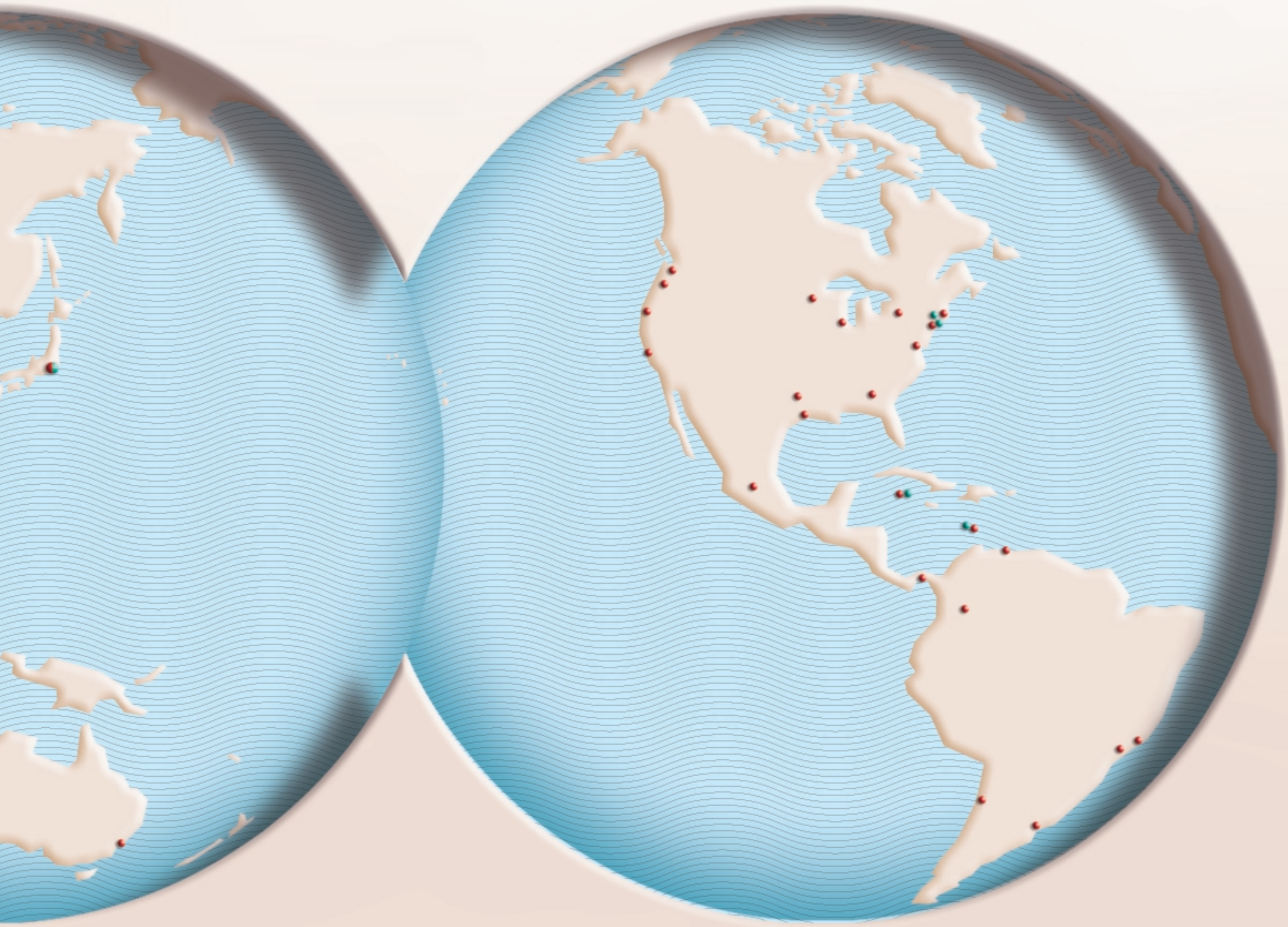
Asia and Oceania

Karachi
Mumbai
New Delhi
Calcutta
Chennai
Dhaka
Yangon
Bangkok
Chon Buri
Chiang Mai
Ayutthaya
Labuan
Kuala Lumpur
Singapore
Jakarta
Surabaya
Bandung
Bekasi

Japan

MTFG's network in Japan includes
350 branches, offices, and agencies.

- The Bank of Tokyo-Mitsubishi, Ltd.
- The Mitsubishi Trust and Banking Corporation



Manila
Ho Chi Minh City
Hanoi
Beijing
Tianjin
Shanghai
Dalian
Shenzhen
Guangzhou

Chengdu
Wuxi
Nanjing
Hong Kong
Taipei
Seoul
Busan
Sydney

The Americas

New York
Atlanta
Chicago
Minnetonka
Portland
Seattle
San Francisco
Los Angeles
Houston

Dallas
Washington, D.C.
Greenwich
Boston
Toronto
Mexico City
Panama
Santiago
Buenos Aires

Caracas
Bogotá
São Paulo
Rio de Janeiro
Cayman Islands
Curaçao
Aruba

Corporate Management

(As of July 1, 2002)

■ *Member of the Board of Directors*

Mitsubishi Tokyo Financial Group, Inc.

■ Akio Utsumi	Chairman & Co-CEO
■ Shigemitsu Miki	President & CEO
■ Hiroshi Watanabe	Senior Managing Director
■ Setsuo Uno	Senior Managing Director
■ Tadahiko Fujino	Senior Managing Director
■ Tatsunori Imagawa	Director
■ Hajime Sugizaki	Director
■ Katsunori Nagayasu	Director
■ Ryotaro Kaneko	Director
■ Kunio Ishihara	Director
Yoshikazu Takagaki	Corporate Auditor (full-time)
Yousuke Serizawa	Corporate Auditor (full-time)
Takashi Uno	Corporate Auditor
Mitsuo Minami	Corporate Auditor
Takeo Imai	Corporate Auditor

The Bank of Tokyo-Mitsubishi, Ltd.

■ Shigemitsu Miki	President
■ Tetsuo Shimura	Deputy President
■ Nobuo Kuroyanagi	Deputy President
■ Yasumasa Gomi	Senior Managing Director
■ Tatsunori Imagawa	Senior Managing Director
■ Asataro Miyake	Managing Director
■ Takahiro Moriguchi	Managing Director
■ Masayuki Tanaka	Managing Director
■ Ichiro Terato	Managing Director
■ Norimichi Kanari	Managing Director
■ Katsunori Nagayasu	Managing Director
■ Yoshinobu Onishi	Managing Director
Haruo Kimura	Managing Director
Naotaka Obata	Managing Director
Akira Katayanagi	Managing Director
Masaharu Hamakawa	Managing Director
Yoshihiro Watanabe	Managing Director
Yukihiko Miyoshi	Managing Director
Ryuichi Murata	Managing Director
Shota Yasuda	Managing Director
Tetsuo Iwata	Director
Kyota Ohmori	Director
Tadashi Yanagisawa	Director
Fumiyuki Akikusa	Director
Tsutomu Tanaka	Director
Yutaka Nishizawa	Director
Saburo Sano	Director
Noboru Takeuchi	Director
Izumi Tamai	Director
Akira Tomioka	Director
Toshihiro Kashizawa	Director
Seiji Naito	Director
Tatsuo Tanaka	Director
Toshiro Toyoizumi	Director
Ryusaburo Harasawa	Director
Nobuyuki Hirano	Director
Akira Naito	Director
Yuichi Shono	Director
Hisatoshi Adachi	Director
Hiroshi Yoshimine	Director
Kazuhiko Hasegawa	Director
Junichi Itoh	Director
Koukichi Komagata	Director
Masami Mizuno	Director
Takashi Morimura	Director
Jun Sato	Director
Yutaka Hasegawa	Corporate Auditor (full-time)
Takuo Oi	Corporate Auditor (full-time)
Takashi Uno	Corporate Auditor (full-time)
Takao Wada	Corporate Auditor (full-time)
Yoshikazu Takagaki	Corporate Auditor
Mitsuo Minami	Corporate Auditor
Ichiro Nagaishi	Corporate Auditor

The Mitsubishi Trust and Banking Corporation

■ Toyoshi Nakano	Chairman
■ Akio Utsumi	President
■ Haruya Uehara	Deputy President
■ Hajime Sugizaki	Senior Managing Director
■ Yuji Ohashi	Senior Managing Director
■ Kazuhiko Wakabayashi	Managing Director
■ Shunichi Tokuda	Managing Director
■ Toshio Koyama	Managing Director
■ Kunichiro Adachi	Managing Director
■ Ryujiro Yagasaki	Managing Director
■ Jun Sumita	Managing Director
■ Masanobu Umemura	Managing Director
Akira Fujii	Managing Director
Noriaki Hanamizu	Managing Director
Shinichi Ono	Managing Director
Yoshiki Mori	Director
Yasushi Okada	Director
Koji Kaihotsu	Director
Osamu Tsugawa	Director
Kinya Okauchi	Director
Yuji Suzuki	Director
Yuji Matsuda	Director
Ichiro Tsuchiya	Director
Atsushi Inuzuka	Director
Kazuo Iwai	Director
Hiroshi Saito	Director
Tadashi Takahashi	Director
Toshio Goto	Director

Hiroaki Nakajima	Corporate Auditor (full-time)
Akira Nakamura	Corporate Auditor (full-time)
Yousuke Serizawa	Corporate Auditor
Jotaro Takagi	Corporate Auditor
Kazuhiko Matsui	Corporate Auditor

The following pages contain MTFG's annual report on Form 20-F for the fiscal year ended March 31, 2002, which was filed with the United States Securities and Exchange Commission on August 12, 2002. This document contains certain additional detailed information about the company's business and performance over the past fiscal year. For the purpose of this annual report, exhibits to the Form 20-F filing have not been included. However, copies of the exhibits can be obtained either by contacting MTFG at 10-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan,* attention: Public Relations Office, telephone: 81-3-3240-8111, or from the United States Securities and Exchange Commission.

**On September 17, 2002, this contact address will change to 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan.*

As filed with the Securities and Exchange Commission on August 12, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2002

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period to

Commission file number 1-10277

KABUSHIKI KAISHA MITSUBISHI TOKYO FINANCIAL GROUP
(Exact name of Registrant as specified in its charter)

MITSUBISHI TOKYO FINANCIAL GROUP, INC.
(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

10-1, Yurakucho 1-chome
Chiyoda-ku, Tokyo 100-0006
Japan
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, without par value	New York Stock Exchange (1)
American Depositary Shares, each of which represents one one-thousandth of one share of common stock	New York Stock Exchange
Exchangeable Guaranteed Notes due 2002	New York Stock Exchange

(1) The listing of the registrant's common stock on the New York Stock Exchange is for technical purposes only and without trading privileges.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At March 31, 2002, (1) 5,742,467.72 shares of common stock (including 169,639 shares of common stock held by the registrant and its consolidated subsidiaries as treasury stock), (2) 81,400 shares of class 1 preferred stock and (3) 100,000 shares of class 2 preferred stock were outstanding.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such short period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☒

CONTENTS

For purposes of this Annual Report, we have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), except for the risk-adjusted capital ratio, the business segment financial information and some other specifically identified information, which are prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”). Unless otherwise stated or the context otherwise requires, all amounts in our financial statements are expressed in Japanese yen.

When we refer in this Annual Report to “we,” “us,” “our” and the “Group,” we mean Mitsubishi Tokyo Financial Group, Inc. and its subsidiaries. References in this Annual Report to “yen” or “¥” are to Japanese yen and references to “US$,” “$” or “US dollars” are to United States dollars. Our fiscal year ends on March 31 of each year. We refer to the fiscal year ended March 31, 2002 throughout this Annual Report as fiscal 2001 or the 2001 fiscal year. We refer to other fiscal years in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

We usually hold the ordinary general meeting of the shareholders of Mitsubishi Tokyo Financial Group in June of each year in Chiyoda-ku, Tokyo.

Forward-Looking Statements

This Annual Report contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, belief or current expectations and/or the current belief or current expectations of our management with respect to our results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “probability,” “risk” and similar expressions as they relate to us or our management, to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this respect as anticipated, believed, estimated, expected or intended. We do not intend to update these forward-looking statements.

Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. We identify in this Annual Report, in “Item 3.D. Key Information—Risk Factors,” “Item 4.B. Information on the Company—Business Overview,” “Item 5. Operating and Financial Review and Prospects” and elsewhere some, but not necessarily all, of the important factors that could cause these differences.

We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

On April 2, 2001, we were formed as a holding company for Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank. Nippon Trust Bank was formerly a majority-owned subsidiary of Bank of Tokyo-Mitsubishi, and merged into Mitsubishi Trust Bank in October 2001. The business combination between Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank was accounted for under the pooling-of-interests method and, accordingly, the financial information shown below, except for risk-adjusted capital ratios calculated under Japanese GAAP, for the periods ended before the combination sets forth the combined results of Bank of Tokyo-Mitsubishi, including Nippon Trust Bank, and Mitsubishi Trust Bank as if the combination had been in effect for all the periods presented.

Selected operating results data for the fiscal years ended March 31, 1999, 2000, 2001 and 2002, and selected balance sheet data at March 31, 2000, 2001 and 2002 set forth below, except for average balance information, have been derived from our audited consolidated financial statements. Selected operating results data for the fiscal year ended March 31, 1998 and selected balance sheet data at March 31, 1998 and 1999, except for average balance information, have been derived from the audited financial statements of Bank of Tokyo-Mitsubishi and unaudited financial information derived from the accounting records of Mitsubishi Trust Bank.

You should read the selected financial data set forth below in conjunction with the section entitled “Operating and Financial Review and Prospects” and our audited consolidated financial statements included elsewhere in this Annual Report. These data are qualified in their entirety by reference to all of that information.

Except for risk-adjusted capital ratios calculated under Japanese GAAP, the selected financial data set forth below are presented in accordance with US GAAP.

	Year ended March 31,				
	1998	1999	2000	2001	2002
	(in millions, except per share data, number of shares and percentages)				
Operating results data:	**(unaudited)**				
Interest income	¥ 2,971,119	¥ 2,811,638	¥2,165,643	¥ 2,282,974	¥ 2,016,961
Interest expense	1,999,409	1,677,554	1,086,126	1,310,618	939,063
Net interest income	971,710	1,134,084	1,079,517	972,356	1,077,898
Provision for credit losses	1,476,027	1,239,000	372,449	797,081	601,689
Net interest income (loss) after provision for credit losses	(504,317)	(104,916)	707,068	175,275	476,209
Non-interest income	793,978	695,229	519,892	955,824	700,741
Non-interest expense	1,488,527	1,247,273	1,224,342	1,127,510	1,501,183
Income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle	(1,198,866)	(656,960)	2,618	3,589	(324,233)
Income tax expense (benefit)	(425,490)	(174,537)	50,160	62,763	(101,832)
Loss before cumulative effect of a change in accounting principle	(773,376)	(482,423)	(47,542)	(59,174)	(222,401)
Cumulative effect of a change in accounting principle, net of tax (1)	—	—	—	—	5,867
Net loss	¥ (773,376)	¥ (482,423)	¥ (47,542)	¥ (59,174)	¥ (216,534)
Net loss attributable to common shareholders	—	—	¥ (53,006)	¥ (67,510)	¥ (220,702)
Amounts per share (2):	**(unaudited)**				
Basic and diluted loss per common share—loss before cumulative effect of a change in accounting principle	¥(141,127.01)	¥(87,953.14)	¥ (9,663.81)	¥(12,274.55)	¥(40,789.57)
Basic and diluted loss per common share—net loss	(141,127.01)	(87,953.14)	(9,663.81)	(12,274.55)	(39,733.32)
Number of shares used to calculate basic and diluted loss per common share (thousands)	5,480	5,485	5,485	5,500	5,555
Cash dividends declared during the year (3):					
—Common shares	¥ 8,418.42	¥ 8,418.42	¥ 8,255.25	¥ 8,255.25	¥ 4,127.63
	$ 63.44	$ 63.44	$ 62.21	$ 62.21	$ 31.10
—Preferred shares (Class 1)	—	—	¥57,120.00	¥ 82,500.00	¥ 41,250.00
			$ 430.44	$ 621.70	$ 310.85
—Preferred shares (Class 2)	—	—	¥ 8,150.00	¥ 16,200.00	¥ 8,100.00
			$ 61.42	$ 122.08	$ 61.04

	Year ended March 31,				
	1998	1999	2000	2001	2002
	(in millions, except per share data and percentages)				
Balance sheet data at year-end:	**(unaudited)**	**(unaudited)**			
Total assets	¥101,273,096	¥86,392,525	¥84,996,000	¥93,488,950	¥94,365,114
Loans, net of allowance for credit losses	56,864,082	53,215,070	48,563,172	47,953,919	48,494,545
Total liabilities	97,762,900	82,923,595	80,981,592	90,287,654	91,738,617
Deposits	64,157,285	56,094,893	54,777,171	60,105,742	63,659,501
Long-term debt	3,961,219	4,131,329	4,540,277	4,963,455	5,183,841
Shareholders' equity	3,510,196	3,468,930	4,014,408	3,201,296	2,626,497
Capital stock (4)	856,663	956,664	956,664	956,664	973,156
Average balances:	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Interest-earning assets	¥ 94,209,422	¥90,683,194	¥83,166,023	¥83,396,382	¥85,192,376
Interest-bearing liabilities	86,642,633	84,033,397	74,566,168	75,749,784	78,749,705
Total assets	99,723,902	96,090,045	86,620,645	89,341,483	92,376,000
Shareholders' equity	3,848,452	3,356,754	3,599,596	3,464,251	3,045,608
Return on equity and assets:	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Net loss as a percentage of total average assets	(0.78)%	(0.50)%	(0.05)%	(0.07)%	(0.23)%
Net loss as a percentage of average shareholders' equity	(20.10)%	(14.37)%	(1.32)%	(1.71)%	(7.11)%
Average shareholders' equity as a percentage of total average assets	3.86%	3.49%	4.16%	3.88%	3.30%
Net interest income as a percentage of total average interest-earning assets	1.03%	1.25%	1.30%	1.17%	1.27%
Credit quality data:	**(unaudited)**	**(unaudited)**			
Allowance for credit losses	¥ 1,281,091	¥ 1,813,680	¥ 1,486,212	¥ 1,716,984	¥ 1,735,180
Allowance for credit losses as a percentage of loans	2.20%	3.30%	2.97%	3.46%	3.45%
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more	¥ 2,282,529	¥ 3,477,768	¥ 2,844,915	¥ 4,272,794	¥ 4,164,982
Nonaccrual and restructured loans, and accruing loans contractually past due 90 days or more as a percentage of loans	3.93%	6.32%	5.68%	8.60%	8.29%
Net loan charge-offs	¥ 1,765,356	¥ 663,453	¥ 679,736	¥ 598,362	¥ 603,404
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Net loan charge-offs as a percentage of average loans	3.01%	1.15%	1.30%	1.21%	1.23%
Average interest rate spread	0.84%	1.10%	1.14%	1.01%	1.18%
Risk-adjusted capital ratio calculated under Japanese GAAP (5):			11.43%	10.15%	10.30%

(1) Effective April 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138.

(2) Amounts have been adjusted to reflect the stock-for-stock exchanges creating Mitsubishi Tokyo Financial Group, Inc., except for the amount for the year ended March 31, 2002.

(3) For the convenience of readers, US dollar amounts are presented as translations of Japanese yen amounts at the rate of ¥132.70 = US$ 1.00, the noon buying rate on March 29, 2002 in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York.

(4) Amounts include common stock and non-redeemable Class 2 preferred stock. Redeemable Class 1 preferred stock is excluded.

(5) Ratios for the years ended March 31, 2000 and 2001 represent combined risk-adjusted capital ratios of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank before any combination-related adjustments. Data for the years ended March 31, 1998 and 1999 are not available.

Exchange Rate Information

The tables below set forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per $1.00. On August 7, 2002, the noon buying rate was $1.00 equals ¥120.37 and the inverse noon buying rate was ¥100 equals $0.83.

	Year 2002					
	March	April	May	June	July	August (1)
High	¥133.46	¥133.40	¥128.66	¥125.64	¥120.19	¥121.14
Low	127.07	128.13	123.08	119.38	115.71	118.98

(1) Period from August 1 to August 7.

	Fiscal year ended March 31,				
	1998	1999	2000	2001	2002
Average (of month-end rates)	¥123.56	¥128.10	¥110.02	¥111.65	¥125.64

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the risks described below as well as all the other information in this Annual Report, including our consolidated financial statements and related notes, "Risk Management" and "Selected Statistical Data."

Our business, operating results and financial condition could be materially adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this Annual Report. See "Forward-Looking Statements."

Risks Related to Our Business

We may suffer additional losses in the future due to problem loans.

We have a substantial volume of problem loans and have suffered from worsening asset quality problems since the early 1990s. Our problem loans and credit-related expenses could increase if:

- economic conditions in Japan do not improve;
- real estate prices or stock prices in Japan continue to decline;
- our large borrowers become insolvent, or the level of corporate bankruptcies in Japan continues to rise;
- additional economic problems arise elsewhere in Asia or in the Americas; or
- the global economic environment deteriorates generally.

This would adversely affect our results of operations, weaken our financial condition and erode our capital base. For a detailed discussion of our historical problem loans, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Allowance for Credit Losses, Nonperforming and Past Due Loans" and "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Selected Statistical Data—Loan Portfolio."

Our allowance for credit losses may be insufficient to cover future loan losses.

We base the allowance for credit losses in our loan portfolio on assumptions and estimates about our customers, the value of collateral we hold and the economy as a whole. Our actual loan losses could prove to be materially different from our estimates and could materially exceed our allowance. If our actual loan losses are higher than we currently expect, our current allowance for credit losses could be insufficient. If we change some of our assumptions and estimates as general economic conditions deteriorate or the value of collateral declines, we may have to provide for additional allowance for credit losses. For a detailed discussion of our allowance policy and historical trend of increasing allowances for credit losses, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Critical Accounting Policies—Allowance for Credit Losses" and "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Allowance for Credit Losses, Nonperforming and Past Due Loans."

The credit quality of our loan portfolio may be adversely affected by the continuing financial difficulties of the Japanese real estate and construction sectors.

As of March 31, 2002, approximately 16.7% of our domestic loans were made to real estate and construction companies. The Japanese real estate and construction industries have been severely and adversely affected by the sharp decline in Japanese real estate values and construction projects. Japanese real estate prices have declined for 11 straight years, and may still be falling. This has materially adversely affected the credit quality of our loan portfolio in the last decade. We expect these problems to continue for the foreseeable future, especially if the Japanese economy is slow to recover. For a detailed discussion of our exposure to Japanese real estate and construction sectors and our historical problem loans in those sectors, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Allowance for Credit Losses, Nonperforming and Past Due Loans" and "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Selected Statistical Data—Loan Portfolio."

The credit quality of our loan portfolio may be adversely affected by the continuing financial difficulties of the Japanese wholesale and retail sectors.

As of March 31, 2002, approximately 15.5% of our domestic loans were made to wholesale and retail borrowers. Many Japanese wholesalers and retailers have been restructured or are undergoing restructurings through legal proceedings or through out-of-court agreements, including concessions by lenders. If consumer spending continues shrinking in the extended economic downturn, or if restructuring efforts of distressed wholesalers and retailers are not successful, there may be additional significant failures of wholesalers and retailers. A further or extended deterioration within these industries would expose us to substantial additional credit losses. For a detailed discussion of our exposure to Japanese wholesale and retail sectors and our historical problem loans in those sectors, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Allowance for Credit Losses, Nonperforming and Past Due Loans” and “Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Selected Statistical Data—Loan Portfolio.”

Our exposure to troubled borrowers may increase, and our recoveries from them may be lower than expected.

We may provide additional loans to troubled borrowers. We may forbear from exercising all of our rights as a creditor against them, and we may forgive loans to them in conjunction with their debt restructuring. We may take these steps even when our legal rights might permit us to take stronger action against the borrower and even when others might take stronger action against the borrower to maximize recovery or to reduce exposure in the short term. We may provide support to troubled borrowers for any of the following reasons or for other reasons:

- political or regulatory considerations;
- reluctance to push a major client into default or bankruptcy or to disrupt a restructuring plan supported by other lenders; and
- a perceived responsibility for the obligations of our affiliated and associated companies.

These practices may substantially increase our exposure to troubled borrowers.

We may experience losses because our remedies for credit defaults by our borrowers are limited.

We may not be able to realize the value of collateral held or enforce our rights against defaulting customers because of:

- the difficulty of foreclosing on collateral in Japan,
- the illiquidity of and depressed values in the Japanese real estate market, and
- depressed values of pledged securities held as collateral.

Recent corporate credibility issues may increase our problem loans or otherwise negatively affect our results of operations.

In recent months, several high-profile bankruptcy filings and reports of past accounting irregularities, including fraud, in the United States, such as those relating to Enron Corporation, have raised corporate credibility issues, particularly with respect to public companies. In response to these developments and U.S. regulatory responses to these developments, auditors and corporate managers generally have begun to review financial statements more thoroughly and conservatively. As a result, additional accounting irregularities may be uncovered and additional bankruptcy filings may be made in the United States and elsewhere. Such developments could increase our credit costs if they directly involve our borrowers or indirectly affect our borrowers’ credit.

Any adverse changes in UNBC’s business could significantly affect our results of operations.

During the fiscal year ended March 31, 2002, approximately 21.8% of our operating profit, as calculated under Japanese GAAP, was generated from the operations of our subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A. Any adverse change in the business or operations of those subsidiaries, which we refer to as “UNBC,” could significantly affect our results of operations. Factors that could negatively affect UNBC's results include adverse economic conditions in California, such as energy sector-related problems and falling export levels, U.S. legislative and regulatory reactions following the terrorist attacks in September 2001, and large corporate bankruptcy filings, such as that of Enron Corporation. UNBC could also be adversely affected by a downturn in real estate prices in California. In addition, appreciation of the Japanese yen against the U.S. dollar would reduce UNBC's reported profits in our operating results. For a detailed segment discussion relating to UNBC, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Business Segment Analysis."

We may not be able to maintain our capital ratios above minimum required levels, which could result in the suspension of some or all of our operations.

Mitsubishi Tokyo Financial Group, as a holding company, and our Japanese subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, are each required to maintain risk-weighted capital ratios above the levels specified in the capital adequacy guidelines of the Japanese Financial Services Agency. UNBC is subject to similar U.S. capital adequacy guidelines. We or our subsidiary banks may be unable to continue to satisfy the capital adequacy requirements, because of:

- credit costs we may incur as we dispose of problem loans and remove impaired assets from our balance sheet;
- credit costs we may incur due to losses from a future deterioration in asset quality;
- adverse changes in foreign currency exchange rates;
- declines in the value of our securities portfolio; and
- changes in accounting rules or in the guidelines regarding the calculation of banks' or bank holding companies' capital ratios, resulting from recently adopted guidelines of the Basel Committee on Banking Supervision or otherwise.

If our capital ratios fall below required levels, the Japanese Financial Services Agency could require us to take a variety of corrective actions, including the withdrawal from all international operations or the suspension of all or part of our business operations. For a detailed discussion of our capital ratios and the related regulatory guidelines, see "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation," and "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Adequacy."

Our capital ratios may be negatively affected if we reduce our deferred tax assets.

We and our Japanese subsidiary banks determine the amount of our net deferred tax assets and our regulatory capital pursuant to Japanese GAAP and the Japanese banking regulations, which differ from U.S. GAAP and the respective U.S. regulations. Under the Japanese banking regulations, all deferred tax assets established pursuant to Japanese GAAP are included in regulatory capital. Japanese GAAP permits the establishment of deferred tax assets for the tax benefits that are expected to be utilized in the subsequent five fiscal years. The calculation of deferred tax assets is based upon various assumptions, including assumptions with respect to future taxable income. Actual results may differ from these assumptions. At March 31, 2002, our deferred tax assets amounted to ¥1,032 billion under Japanese GAAP. From time to time, we reassess whether we are able to realize our deferred tax assets based on our taxable income projections, and make necessary increases or reductions. If we conclude that we or our subsidiary banks are unable to realize a portion of the deferred tax assets, our deferred tax assets may be reduced and as a result, our capital ratios may decline. See "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation."

If the Japanese stock market declines, we may incur losses on our securities portfolio and our capital ratios may be adversely affected.

We hold large amounts of marketable equity securities. The market values of these securities are inherently volatile and have generally been declining in recent years. We will incur losses on our securities portfolio if the Japanese stock market continues to decline. Material declines in the Japanese stock market would also materially adversely affect our capital ratios. For a detailed discussion of our holdings of marketable equity securities and its effect on our capital adequacy ratios, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Adequacy" and "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Selected Statistical Data—Investment Portfolio."

The value of our equity portfolio could decline due to expected sales of shares in the market by us and others.

Many Japanese financial institutions have traditionally held large amounts of equity securities of their customers, business counterparts and related companies. In November 2001, the Japanese government enacted a law forbidding banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, from holding stocks in excess of their Tier I capital after September 30, 2004. Partly in response to this legislation and partly to reduce risk-weighted assets, we and many other financial institutions have been selling and will continue to sell off large amounts of equity securities. The sale of equity securities by Japanese financial institutions may depress the value of Japanese equity securities, including those in our securities portfolio. In order to comply with the new legislation, we may be forced to sell some of our equity securities at depressed prices. For a detailed discussion of our equity securities portfolio, see "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Selected Statistical Data—Investment Portfolio."

Our business may be adversely affected by competitive pressures, which have increased significantly due to regulatory changes.

In recent years, the Japanese financial system has been increasingly deregulated and barriers to competition have been reduced. In addition, the Japanese financial industry has been undergoing significant consolidation, as a result of which larger, more integrated financial institutions have emerged as our competitors. If we are unable to compete effectively in this more competitive and deregulated business environment, our business, results of operations and financial condition will be adversely affected. For a more detailed discussion of our competition, see "Item 4.B. Information on the Company—Business Overview—Competition."

Our trading and investment activities expose us to exchange rate, interest rate and other risks.

We undertake extensive trading and investment activities involving a variety of financial instruments, including derivatives. Our income from these activities is subject to volatility, caused by, among other things, changes in interest rates, foreign currency exchange rates and equity prices. For example:

- Increases in interest rates have an adverse effect on the value of our fixed income securities portfolio.
- Strengthening of the yen against the dollar and other foreign currencies reduces the value, in our financial statements, of our substantial portfolio of foreign-currency denominated investments.

Our results of operations and financial condition in future periods will be exposed to risks of loss associated with these activities. For a detailed discussion of our investment portfolio, our management of the related risks, see "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Selected Statistical Data—Investment Portfolio" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

A significant downgrade of our credit ratings could have a negative effect on our treasury operations.

A significant downgrade of our credit ratings by one or more of the credit rating agencies could have a negative effect on our treasury operations. In the event of a downgrade of our credit ratings, our treasury unit may have to accept less favorable terms in its transactions with counterparties or may be unable to enter into certain transactions. This could have a negative impact on the profitability of our treasury operations and adversely affect our results of operations and financial condition.

We will be exposed to increased risks as we expand the range of our products and services.

As we expand the range of our products and services beyond our traditional banking business and as the sophistication of financial products and management systems grows, we will be exposed to new and increasingly complex risks. In many cases, we will have no experience or only limited experience with these risks. Some of the activities in which our subsidiaries engage, such as derivatives and foreign currency trading, present volatile and substantial risks. Our risk management systems may prove to be inadequate, and may not work in all cases or to the degree required. As a result, we are subject to substantial market, credit and other risks in relation to these expanding products and services and trading activities, which could result in our incurring substantial losses. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected, or if the profitability of opportunities is undermined by competitive pressures. For a detailed discussion of our risk management systems, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Our income and expenses relating to our international operations and our foreign assets and liabilities are all exposed to foreign currency fluctuations.

Our international operations are subject to fluctuations in foreign currency exchange rates against the Japanese yen. When the yen appreciates, yen amounts for transactions denominated in foreign currencies, including a substantial portion of UNBC's transactions, decline. In addition, a portion of our assets and liabilities are denominated in foreign currencies. To the extent that our foreign-currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against the Japanese yen may adversely affect our financial condition, including our capital adequacy ratios. In addition, fluctuations in foreign exchange rates will create foreign currency translation gains or losses. For a historical discussion of the effect of changes in foreign currency exchange rates, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Effect of Change in Exchange Rate on Foreign Currency Translation."

We may not be able to achieve the expected benefits of integrating into a single financial services group.

Our success in combining Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank into a single financial services group depends on our ability to integrate the operations of our subsidiaries and affiliates, achieve expected cost savings and foster cooperation between the institutions in customer and product cross-selling. We may not be able to accomplish these goals as expected. For example:

- We may have difficulty in implementing our strategies as an integrated financial group.
- We may not be able to integrate our operations as quickly as planned due to legal restrictions, internal resistance or market resistance. As a result, we may not achieve cost reductions as fully or as quickly as we expect.
- The costs of integration may be higher than we expect.
- We may encounter problems with system integration and incompatibility at the subsidiary and affiliate level, market resistance to new technologies or distribution channels, or technical difficulties. As a result, our efforts to increase our operational efficiency and broaden the distribution channels for our financial products and services through investments in information technology may not succeed as we expect.

- We may lose customers and business as we consolidate and, in some cases, rebrand some of our affiliates' operations, such as in the case of the planned merger of several securities subsidiaries and affiliates to create Mitsubishi Securities Co., Ltd.

Losses relating to our pension plans and a decline in returns on our plan assets may negatively affect our results of operations and our financial condition.

We may incur losses if the fair value of our pension plans' assets decline, if the rate of return on our pension assets declines, or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation is based. In addition, we may have unrecognized prior service costs resulting from amendments to our pension plans. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and the resulting annual amortization expense.

We may not be able to refinance our subordinated debt obligations with equally subordinated debt, and as a result our capital ratios may be adversely affected.

Under Japanese GAAP, at March 31, 2002, subordinated debt accounted for approximately 35% of Mitsubishi Tokyo Financial Group's total capital, approximately 36% of Bank of Tokyo-Mitsubishi's total capital and approximately 34% of Mitsubishi Trust Bank's total capital. We may not be able to refinance our subordinated debt obligations with equally subordinated debt. The failure to refinance these subordinated debt obligations with equally subordinated debt may reduce our total capital and as a result negatively affect our risk-weighted capital ratios.

We may have to compensate for losses in our loan trusts and jointly operated designated money trusts. This could have a negative effect on our operating results.

Mitsubishi Trust Bank compensates for losses of principal of loan trusts and some designated money trusts. As of March 31, 2002, the principal balance of those indemnified trusts was ¥3,441 billion. Funds in those indemnified trusts are generally invested in loans and securities. Mitsubishi Trust Bank is required to maintain reserves in the accounts of those indemnified trusts for loan losses and other impairments of principal, but the amount of these compensation obligations does not appear as a liability on our balance sheet. If the amount of assets and reserves held in the indemnified trusts falls below the principal as a result of loan losses, losses in the investment portfolio or otherwise, Mitsubishi Trust Bank would be required to make a payment on the indemnities.

Trust beneficiaries of loan trusts and jointly operated designated money trusts are entitled to a semi-annual dividend, which in practice is the "projected rate" published semi-annually. As a result, sharp declines in interest rates or in the value of the securities held in its trusts' investment portfolios will reduce the performance-dependent trust fees that Mitsubishi Trust Bank generates from its loan trusts and jointly operated designated money trusts and will thus adversely affect our results of operations.

We are exposed to substantial credit and market risks in Asian countries.

We are active in the Asian region through a network of branches and subsidiaries, and are thus exposed to a variety of credit and market risks associated with these countries. If a decline in the value of Asian currencies occurs, it could adversely affect the creditworthiness of some of our borrowers in the region. The loans we make to Asian borrowers and banks are often denominated in yen, U.S. dollars or other foreign currencies. The borrowers often do not hedge the loans to protect against fluctuations in the values of local currencies. A devaluation of the local currency would make it more difficult for a borrower earning income in that currency to pay its debts to us and others. In addition, some Asian countries may attempt to support the value of their currencies by raising domestic interest rates. If this happens, the borrowers in these countries would have to devote more of their resources to repaying their domestic obligations, which may adversely affect their ability to repay their debts to us and other foreign lenders. The restriction of credit resulting from these and related conditions may adversely affect economic conditions in some countries. This could cause a further deterioration of the credit quality of borrowers and banks in those countries, and further losses to us. For a more detailed discussion of our credit exposure to Asian countries, see "Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Allowance for Credit Losses, Nonperforming and Past Due Loans."

Our efforts to reduce our holdings of equity securities may adversely affect our relationships with customers.

Japanese law prohibits banks from holding stocks in excess of their Tier I capital after September 30, 2004. In order to comply with this requirement and to reduce our risk exposure to fluctuations in equity security prices, we intend to sell a substantial portion of our equity securities. Most of these securities are held under cross-shareholding arrangements where we acquire the customer's securities for business relation purposes. The planned sale of securities will reduce our cross-shareholdings, which may have an adverse affect on our relationships with our customers.

Restrictions on our subsidiaries' ability to pay dividends and make other distributions could limit amounts payable to us.

As a holding company, a substantial portion of our cash flow comes from dividends that our Japanese bank subsidiaries pay to us. Under some circumstances, various statutory or contractual provisions restrict the amount of dividends our subsidiaries can pay to us. In addition, if any of our subsidiaries enter into bankruptcy or reorganization proceedings or liquidate, that subsidiary's creditors will be entitled to receive distributions from the assets of that subsidiary to satisfy their claims against it before we, as a holder of an equity interest in the subsidiary, will be entitled to receive any of the assets of the subsidiary.

It may not be possible for investors to effect service of process within the United States upon us or our directors, executive officers or corporate auditors, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the Federal securities laws of the United States.

We are a joint stock company incorporated under the laws of Japan. All of our directors, executive officers and corporate auditors reside outside of the United States. Many of our and their assets are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in the United States courts predicated upon the civil liability provisions of the Federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of liabilities predicated solely upon the Federal securities laws of the United States.

Risks Related to the Japanese Banking Industry

Recent efforts by the Japanese government to encourage the disposal of problem loans in two to three years could exacerbate our credit losses.

The Japanese government's emergency economic package, released in April 2001, strongly urges major banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust-Bank, to remove non-performing loans from their balance sheets within two to three years. These guidelines for the disposal of non-performing loans could increase our credit losses if we sell our problem loans at a larger discount than we had expected. For a more detailed discussion of recent government initiatives, see "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation," and "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Recent Developments."

Any significant adverse regulatory developments or changes in government policies or economic controls could have a negative impact on our results of operations.

We conduct our business subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other markets we operate in. Future changes in regulation, fiscal or other policies are unpredictable and beyond our control.

Our business may be adversely affected by negative developments with respect to other Japanese financial institutions, both directly and by the effect they may have on the overall Japanese banking environment.

Many Japanese financial institutions, including banks, non-bank lending and credit institutions, financial affiliates of securities companies and insurance companies, continue to experience severe asset quality and other financial problems, in part as a result of Japan's protracted recession. This may lead to severe liquidity and solvency problems, which have resulted in the liquidation or restructuring of affected institutions. The continued financial difficulties of financial institutions could adversely affect us because:

- as of March 31, 2002, approximately 11.1% of our domestic loans were made to banks and other financial institutions, and of those loans 2.7% were classified as nonaccrual and restructured loans;
- we are a shareholder of some other banks and financial institutions;
- we may be requested to participate in providing assistance to support distressed financial institutions;
- deposit insurance premiums could rise if deposit insurance funds prove to be inadequate; and
- repeated bankruptcies could undermine depositor confidence generally or adversely affect the overall banking environment.

For a more detailed discussion of our loan to Japanese financial institutions, see "Item 8.A. Financial Information— Consolidated Statements and Other Financial Information—Selected Statistical Data—Loan Portfolio."

We might have to pay risk premiums on borrowings from international financial institutions, or be subject to credit limitations by them.

As a result of concerns regarding asset quality and the failure of several large Japanese financial institutions, international financial institutions have in the past:

- charged an additional risk premium to Japanese financial institutions for short-term borrowings in the interbank market; and
- placed restrictions on the amount of credit, including interbank deposits, that they extend to Japanese banks.

These restrictions on credit result in higher operating expenses and decreased profitability for affected Japanese banks. If conditions in the Japanese banking and other financial sectors deteriorate, international markets could again impose risk premiums or credit restrictions on Japanese banks, including us.

We may be adversely affected if the current economic conditions in Japan continue or worsen.

Since the early 1990s, the Japanese economy has performed poorly due to a number of factors, including weak consumer spending and lower capital investment by Japanese companies, causing a large number of corporate bankruptcies and the failure of several major financial institutions. The outlook for the economy as a whole remains uncertain because:

- recent economic data show that the Japanese economy is not recovering;
- unemployment rates are at an historic high;

- real estate prices have declined for the past 11 years, and may still be declining; and
- Japanese stock prices have declined to their lowest levels in 18 years.

These factors may continue or worsen. If they do, our earnings and credit quality may be adversely affected. For a detail discussion of Japan's current economic environment, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Business Environment—Economic Environment in Japan."

We may have to pay more regional or national bank taxes.

In April 2000, the Tokyo Metropolitan Government began imposing a tax of 3% on the gross operating profits of banks operating within its jurisdiction. In May 2000, Osaka Prefecture introduced a similar tax on operating profits of banks operating within its jurisdiction. In March 2002, the Tokyo District Court overturned the Tokyo local tax, but the decision is under appeal. Banks are also challenging in court the legality of the Osaka local tax. Other prefectures may implement similar local bank taxes, and the Japanese government may introduce a similar bank tax nationwide. Depending on the outcome of these court cases and the decisions of other prefectures and the Japanese government, we may have to pay more regional or national bank taxes. See "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Recent Developments" and "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings."

A change to current interest rate policy could adversely affect our results of operations.

The Bank of Japan now maintains interest rates at near zero percent. If interest rate policies change, we could be adversely affected through lower spreads or declines in the value of our investments in Japanese government bonds. In addition, an increase in interest rates may increase our problem loans as some of our borrowers may not be able to meet the increased interest payment requirements. This would adversely affect our results of operations.

Risks Related to Owning Our Shares

Sales of our shares by our subsidiaries may adversely affect our stock price.

Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank hold shares of our common stock. Under the Japanese Commercial Code, they are legally required to dispose of all of our shares within a reasonable time of the formation of Mitsubishi Tokyo Financial Group. No implementing timetable has been specified by the relevant regulators, but Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank plan to sell their shares as soon as market circumstances permit a favorable offering. If Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank fulfill that legal requirement by selling our shares in the market, it could adversely affect the trading price of our shares.

Efforts by other companies to reduce their cross-shareholdings may adversely affect our stock price.

Many companies in Japan that hold our shares, have announced plans to reduce their cross-shareholdings in other companies. Our own announced plans to sell cross-held shares in other companies may encourage them to sell our shares. If these companies sell our shares in the market, it could adversely affect the trading price of our shares.

Negative media coverage of Japan's banking industry may have a materially adverse effect on our stock price.

Recently, Japan's banking industry has been covered extensively by both Japanese and foreign media. The main focus of this coverage has been Japanese banks' problem loans. Most of this coverage has been negative and suggests that the amount of problem loans that Japanese banks actually hold is greater than what is disclosed.

Negative media coverage of Japan's banking industry regarding problem loans and other issues, whether or not accurate and whether or not applicable to us, may have a materially adverse effect on our stock price.

Rights of shareholders under Japanese law may be more limited than under the laws of jurisdictions within the United States.

Our articles of incorporation, the regulations of our board of directors and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a non-Japanese company. Shareholders' rights under Japanese law are different in some respects from shareholders' rights under the laws of jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction within the United States. For a detail discussion of the relevant provisions under the Japanese Commercial Code and our articles of incorporation, see "Item 10.B. Additional Information—Memorandum and Articles of Association."

Risks Related to Owning ADSs

As a holder of ADSs, you will have fewer rights than a shareholder has, and you will have to act through the depositary to exercise these rights.

The rights of our shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to holders of record. Because the depositary, through its custodian agent, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. In your capacity as an ADS holder, however, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights except through the depositary.

Foreign exchange rate fluctuations may affect the dollar value of our ADSs and dividends payable to holders of our ADSs.

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

Item 4. Information on the Company.

A. History and Development of the Company.

Mitsubishi Tokyo Financial Group, Inc.

Mitsubishi Tokyo Financial Group, Inc. is a joint stock company (*kabushiki kaisha*) incorporated in Japan under the Japanese Commercial Code. On April 2, 2001, Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank established Mitsubishi Tokyo Financial Group to be a holding company for the three of them. Before that, each of the banks had been a publicly held company. On April 2, 2001, through a stock-for-stock exchange, they became wholly-owned subsidiaries of Mitsubishi Tokyo Financial Group, and the former shareholders of the three banks became shareholders of Mitsubishi Tokyo Financial Group. Nippon Trust Bank was later merged into Mitsubishi Trust Bank. As a result, Mitsubishi Tokyo Financial Group now has two directly held banking subsidiaries, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, although each of these two banks also has other subsidiaries of its own.

Mitsubishi Tokyo Financial Group's registered address is at 10-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan, and its telephone number is 81-3-3240-8111. On September 17, 2002, the registered office will be changed to 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan.

The Bank of Tokyo-Mitsubishi, Ltd.

Bank of Tokyo-Mitsubishi is a major commercial banking organization in Japan and provides a broad range of domestic and international banking services from its offices in Japan and around the world. Bank of Tokyo-Mitsubishi is a "city" bank, as opposed to a regional bank. Bank of Tokyo-Mitsubishi's registered head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388, Japan, and its telephone number is 81-3-3240-1111.

Bank of Tokyo-Mitsubishi was formed through the merger, on April 1, 1996, of The Mitsubishi Bank, Limited and The Bank of Tokyo, Ltd. The origins of Mitsubishi Bank can be traced to the Mitsubishi Exchange Office, a money exchange house established in 1880 by Yataro Iwasaki, a key figure in the Japanese industrial revolution and the founder of the Mitsubishi industrial, commercial and financial group. In 1895, the Mitsubishi Exchange Office was succeeded by the Banking Division of the Mitsubishi Goshi Kaisha, the holding company of the "Mitsubishi group" of companies, that began in the late 19th century with interests in shipping and trading. Mitsubishi Bank had been a principal banker to many of the Mitsubishi group companies, but broadened its relationships to cover a wide selection of Japanese industries, small and medium-sized companies and individuals.

Bank of Tokyo was established in 1946 as a successor to The Yokohama Specie Bank, Ltd., a special foreign exchange bank, established in 1880. In the postwar period, because of the need to establish a financial institution specializing in foreign trade financing, the government of Japan promulgated the Foreign Exchange Bank Law in 1954, and Bank of Tokyo became the only bank licensed under that law. Because of its license, the bank received special consideration from the Ministry of Finance in establishing its offices abroad and in many other aspects relating to foreign exchange and international finance. The worldwide network of Bank of Tokyo was more extensive than that of any other Japanese bank, and engaged in a full range of commercial banking activities, both in Japan and overseas, serving the diverse financial requirements of its clients throughout the world.

Bank of Tokyo-Mitsubishi is a member of the "Mitsubishi group" of companies. The expression "Mitsubishi group" is used to describe 28 companies with historical links to a prewar group of companies that were under common control. Although there are numerous, generally small, cross-shareholdings among these companies even today and frequent organized gatherings of their chairmen and presidents, since the end of World War II, the Mitsubishi group companies have been managed and operated independently. The shares of 23 of the Mitsubishi group companies are publicly listed in Japan, and these companies are engaged in a broad range of activities including manufacturing, trading, natural resources, transportation, real estate, banking and insurance.

The Mitsubishi Trust and Banking Corporation

Mitsubishi Trust Bank is a major trust bank in Japan, providing trust and banking services to meet the long-term financing and investment needs of retail and corporate clients. Mitsubishi Trust Bank is also a global trust bank, providing services to individual investors, major corporations and industrial companies in Japan and the rest of Asia, as well as in the United States and Europe. Mitsubishi Trust Bank has recently expanded its asset management services in various fields, including retirement benefits trusts and assets administration services. The registered head office of Mitsubishi Trust Bank is at 11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan, and its telephone number is 81-3-3212-1211.

Mitsubishi Trust Bank traces its history to The Mitsubishi Trust Company, Limited, which was founded by the leading members of the Mitsubishi group in 1927. The Japanese banking and financial industry was reconstructed after World War II and, in 1948, the bank was authorized to engage in the commercial banking business, in addition to its trust business, under the new name Asahi Trust & Banking Corporation. In 1952, the bank changed its name again, to The Mitsubishi Trust and Banking Corporation.

Nippon Trust Bank and The Tokyo Trust Bank, Ltd., which were previously subsidiaries of Bank of Tokyo-Mitsubishi, were merged into Mitsubishi Trust Bank on October 1, 2001. By combining the trust-related resources and expertise of these three trust banks, we believe the new Mitsubishi Trust Bank is better positioned to provide clients with trust services that will better match their evolving needs.

Like Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank is a member of the Mitsubishi group of companies.

B. Business Overview.

Mitsubishi Tokyo Financial Group is one of the world's leading bank holding companies with ¥94.4 trillion in total assets as of March 31, 2002. Through our two directly held subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, and their subsidiaries, we provide a full range of domestic and international financial services, including commercial banking, investment banking, trust services and asset management services, to individuals and corporate customers.

As a holding company, Mitsubishi Tokyo Financial Group works with Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank to agree on business goals, strategies and implementation, including whether and how to achieve benefits that can be realized by consolidating or integrating operations of the two banks and their subsidiaries, based on the following shared objectives:

- establish a more diversified financial services group operating across business sectors;
- leverage the flexibility afforded by our organizational structure to expand our business;
- benefit from the collective expertise of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank;
- achieve operational efficiencies and economies of scale, particularly with respect to our trust business; and
- enhance the sophistication and comprehensiveness of the group's risk management expertise.

While maintaining the corporate cultures and core competencies of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, Mitsubishi Tokyo Financial Group seeks to work with them to find ways to make fuller use of their expertise to enable them to meet more effectively and cost-efficiently the diverse and changing needs of their customers. By finding ways to build on and consolidate their individual strengths, we seek to create new business opportunities, to expand our client base and to enhance profitability. In addition, we oversee and monitor the operations of our subsidiaries, including risk management, compliance and internal auditing systems.

Bank of Tokyo-Mitsubishi

Bank of Tokyo-Mitsubishi is a major Japanese commercial banking organization. It provides a broad range of domestic and international banking services in Japan and around the world. As of March 31, 2002, Bank of Tokyo-Mitsubishi's network in Japan included 270 branches, 24 sub-branches, two agencies, 57 loan plazas, 494 branch ATMs, and 5,999 convenience store-based, non-exclusive ATMs. Bank of Tokyo-Mitsubishi organizes its operations based on customer and product segmentation, as follows:

- retail banking;
- commercial banking;
- global corporate banking;
- investment banking;
- asset management;

- UnionBanCal Corporation (UNBC);
- operations services;
- treasury; and
- other, including systems services and eBusiness and IT Initiatives.

For a detailed analysis of financial results by business segment, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Business Segment Analysis.” For a detailed analysis of financial results by geographic segment, see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Geographic Segment Analysis.”

Retail Banking Business Unit

The retail banking business unit of Bank of Tokyo-Mitsubishi offers a full range of banking products and services, including financial consulting services, to small corporate and individual customers in Japan. In addition to its branch offices and other direct distribution channels, the retail banking business unit offers products and services through E-net ATMs (a convenience store-based ATM network utilized by a number of different banks), telephone and Internet banking services and mail order. Two of the unit’s branches are joint branches with Mitsubishi Trust Bank, and one more joint branch with Mitsubishi Trust Bank is planned in the near future.

As part of the effort to realize synergies between our two bank subsidiaries, the unit is marketing to its customers mass retail targeted trust-related products of Mitsubishi Trust Bank.

Deposits and loans. The unit offers a full range of bank deposit products. One of these is a multiple purpose bank account that includes ordinary deposits but also has overdraft privileges collateralized by time deposits, bank debentures and public bonds held in custody. The unit also offers housing loans, educational loans, special purpose loans, card loans and other loans to individuals.

Investment trusts. The unit offers 24 equity and bond funds, and a program fund (M-CUBE program), exclusively organized for Bank of Tokyo-Mitsubishi by Frank Russell Company, which combines four specific funds. We offer these as a menu of funds that allows our customers to choose among them in order to achieve their desired balance of risk diversification and return.

Tokyo-Mitsubishi Direct. The unit offers a telephone and Internet banking service called Tokyo-Mitsubishi Direct. Since the service was launched in 1999, the number of customers using it has risen steadily, reaching 1.2 million (8% of the unit’s total) individual customers in March 2002.

Credit Cards. The unit offers Master Card and VISA credit cards through several channels. Through Bank of Tokyo-Mitsubishi, it offers them as the Tokyo-Mitsubishi Card. It also offers them through DC Card Co., Ltd. and Tokyo Credit Service, Ltd., both subsidiaries of Bank of Tokyo-Mitsubishi.

Consumer Loans—Tokyo-Mitsubishi Cash One. Since March 2002, the unit has offered loans to its customers through Tokyo-Mitsubishi Cash One, Ltd., a consumer credit company established jointly by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and three leading Japanese consumer credit companies (Acom, DC Card and JACCS).

Life-Planning Consultation Desk. The unit recently launched a personal financial planning service called “The Life-Planning Consultation Desk.” This non-fee based service uses cash-flow analysis to help customers plan for significant financial events in their lives, such as the purchase of a house, college education for children and retirement.

Commercial Banking Business Unit

The commercial banking business unit of Bank of Tokyo-Mitsubishi mainly provides banking products and services to a wide range of business customers, from large corporations to medium-sized and small businesses, and is responsible for customer relationships. The unit provides traditional commercial banking services, such as deposits, settlement, foreign exchange, loans, and trust products of Mitsubishi Trust Bank as well as electronic banking and highly sophisticated consultancy services. It works closely with the investment banking unit.

Financing and fund management. The unit advises on financing methods for its customers' various financing needs, including loans with derivatives, corporate bonds, commercial paper, asset backed securities, securitization programs and syndicated loans. The unit also offers a wide range of products to meet customers' fund management needs, such as deposits with derivatives, government bonds, debenture notes and investment funds.

Advice on expansion overseas. The unit provides advisory services to its clients launching businesses overseas, particularly Japanese companies expanding into Asian countries.

Settlement services. The unit provides electronic banking services that allow customers to make domestic and overseas remittances electronically. Its other settlement and cash management services include global settlement services, Global Cash Management Services (global pooling/netting service) and Treasury Station (a fund management system for group companies). These are particularly useful to customers who do business worldwide.

Risk management. The unit offers swap, option, and other risk-hedge programs to customers seeking to control foreign exchange, interest rate and other business risks.

Corporate management/Financial strategies. The unit provides advisory services to its customers in the areas of mergers and acquisitions, inheritance related business transfers and stock listings. The unit also helps customers develop financial strategies for restructuring their balance sheets. These strategies include the use of credit lines, factoring services and securitization of real estate.

Corporate welfare facilities. The unit offers products and administrative services to help its customers with employee benefits plans. As a service to these customers, it often provides housing loans to their employees. It also provides company-sponsored employee savings plans and defined contribution plans.

Global Corporate Banking Business Unit

The global corporate banking business unit of Bank of Tokyo-Mitsubishi provides banking services to large Japanese corporations and their overseas operations, as well as non-Japanese corporations who do business on a global basis. The unit serves these customers through corporate banking divisions in Tokyo, a global network of 58 overseas branches and sub-branches, 17 representative offices, and overseas banking subsidiaries.

Overseas Business Support. The unit provides a full range of services to support customers' overseas activities, including loans, deposits, assistance with mergers and acquisitions and cash management services. The unit provides financial services to customers in co-operation with other Bank of Tokyo-Mitsubishi business units, such as the treasury unit and investment banking business unit, and also through subsidiaries that are part of these units, such as Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi International plc and BTM Capital Corporation.

Global Cash Management Services (GCMS). In May 2001, Bank of Tokyo-Mitsubishi started offering its BTM-Global Cash Management Service through foreign branches. The service, available before only in Japan, allows customers to check their foreign accounts and make remittances through personal computers. The service was made available in Shanghai, Ho Chi Minh City, Hanoi and Beijing during the year ended March 31, 2002, and the total number of foreign branches which allow customers to use GCMS became 14 at the end of that period.

During the year ended March 31, 2002, the unit provided advisory services to help customers develop financial strategies, such as arranging the issuance of asset-backed commercial paper, providing credit commitments and securitizing real estate in Japan. The unit also developed its investment banking business to increase non-interest income with the investment banking business unit.

Establishment of Polish Subsidiary. In order to support the growing number of Japanese companies pursuing business opportunities in Poland during the fiscal year ended March 31, 2002, Bank of Tokyo-Mitsubishi established Bank of Tokyo-Mitsubishi (Poland) S.A., which began operations in April 2002. The new entity obtained a full banking license from the Polish authorities in order to provide a wide range of financial services to its clients.

Investment Banking Business Unit

The investment banking business unit of Bank of Tokyo-Mitsubishi provides capital markets, derivatives, structured finance, corporate advisory and other securities services. Other business units of Bank of Tokyo-Mitsubishi work with the investment banking business unit in offering its services to their customers. The unit conducts some of its investment banking businesses, such as syndicated loans and structured finance, through Bank of Tokyo-Mitsubishi itself, but for regulatory reasons most of the securities business is conducted through subsidiaries and affiliates.

We plan to consolidate most of the securities business conducted by the investment banking unit in September 2002. We intend to merge our subsidiaries and affiliates, KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd. and Issei Securities Co., Ltd. The new subsidiary will be named Mitsubishi Securities Co., Ltd. Bank of Tokyo-Mitsubishi also plans to transfer a part of this unit's derivatives, corporate advisory and securitization operations to Mitsubishi Securities following the completion of the merger.

Securities Services. In Japan, Bank of Tokyo-Mitsubishi's wholesale securities business is conducted through Tokyo-Mitsubishi Securities. Tokyo-Mitsubishi Securities derives most of its net revenue from sales, trading, underwriting and the distribution of fixed income and equity products. Tokyo-Mitsubishi Securities is one of the major players in the Japanese fixed income market.

The unit also provides commissioned company services, similar to bond trustee services, for bonds issued in Japan. These services include acting as the fiscal agent for bondholders and as the paying agent and recording agent.

Derivatives. The unit develops and offers derivatives products for risk management and other financial needs. The unit also conducts derivatives trading for its proprietary account. The unit has trading desks in Tokyo, Singapore, Hong Kong, London and New York.

Securitization. In the securitization area, the unit is primarily engaged in asset-backed commercial paper programs and other asset-backed securities involving the securitization of customers' assets, as well as its own. The unit is also engaged in securitizing residential mortgage loans and real estate. It has securitization teams based in Tokyo, New York, London, Hong Kong and Singapore.

Syndicated Loans. The unit structures and syndicates many types of loan transactions including term loans, revolving credit and structured transactions. It has loan syndication operations in Tokyo, New York, London, Hong Kong and Singapore.

Structured Finance. The unit engages in project finance, lease finance, real estate finance and other types of non-recourse financings. It provides customers with financial advisory services, loan arrangements, and agency services. It has teams located in Tokyo, Hong Kong, Singapore, London, New York and Boston.

Corporate Advisory Services. The unit renders advisory services for both domestic and cross-border mergers and acquisitions, representing Japanese as well as non-Japanese clients. It has mergers and acquisitions teams in Tokyo, New York and Singapore, and works with other strategic partners in the U.S. and the U.K.

Other Services. In the U.S., the unit offers leasing services through two subsidiaries, BTM Capital Corporation and BTM Leasing and Finance, Inc. BTM Capital, formerly a leasing subsidiary of the Bank of New England, offers a wide range of leasing services to non-Japanese customers, while BTM Leasing and Finance focuses on providing services to the U.S. subsidiaries and affiliates of Japanese corporations.

Asset Management Business Unit

The asset management business unit of Bank of Tokyo-Mitsubishi provides asset management and trust products and services mainly to wealthy individuals, branch customers and corporate clients in Japan. Generally, these products and services are provided to customers of Bank of Tokyo-Mitsubishi through the retail banking business unit and commercial banking business unit, and are sourced from Tokyo-Mitsubishi Asset Management, Ltd., a subsidiary of Bank of Tokyo-Mitsubishi included in the unit, and from Mitsubishi Trust Bank.

Asset Management. Tokyo-Mitsubishi Asset Management, a licensed discretionary investment advisor and investment trust management company, provides investment management and advisory services for institutional investors, including pension funds. It also offers mutual fund products. As of March 2002, almost 60 Japanese financial institutions, including Bank of Tokyo-Mitsubishi, were marketing Tokyo-Mitsubishi Asset Management products.

Since April 2000, the unit has substantially expanded its investment trust line-up, which mainly consists of products managed by Tokyo-Mitsubishi Asset Management. Other products include KOKUSAI Money Managed Fund and investment products of Mellon Financial Corporation, Frank Russell Company and Schroder Investment Management.

Defined Contribution Plan. Responding to a change in Japanese pension law, the unit has recently launched a defined contribution pension plan business. It offers administration services through Defined Contribution Plan Consulting of Japan Co., Ltd., which we formed in March 2001 together with Mitsubishi Trust Bank, Meiji Life Insurance Company and Tokio Marine & Fire Insurance, Ltd.

Wealth Management. The unit offers private banking services to wealthy individuals, which generally means individuals with financial assets of ¥1 billion or more. In March 2002, it established Mitsubishi Tokyo Wealth Management Securities, Ltd. in cooperation with Mitsubishi Trust Bank and KOKUSAI Securities. Mitsubishi Tokyo Wealth Management offers more sophisticated and customized asset management services and administration solutions to wealthy Japanese customers.

Custody. The unit offers domestic custody services to foreign investors who invest in Japanese securities in Japan, and also offers global custody services to Japanese investors using sub-custodians. The unit provides custody services to a wide range of institutional investors, both domestic and international, including commercial banks, insurance companies, major global custodians, central banks and international settlement organizations.

UNBC Business Unit (UnionBanCal Corporation)

Bank of Tokyo-Mitsubishi owns 67% of UnionBanCal Corporation (UNBC), a publicly traded company listed on the New York Stock Exchange. UNBC is a U.S. commercial bank holding company and is among the oldest banks on the West Coast, having roots as far back as 1864. Union Bank of California, N.A., UNBC's bank subsidiary, is the third largest commercial bank in California based on total assets and total deposits.

UNBC provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in California, Oregon and Washington, but also nationally and internationally. UNBC's operations are divided into four primary groups.

The Community Banking and Investment Services Group offers a complete spectrum of financial products to retail and corporate customers. With a full line of checking and savings, investment, loan and fee-based banking products, individual and business clients, including not-for-profit and small and institutional investors, can each have their specific needs met through UNBC's full service branches. In addition, UNBC offers international and settlement services, e-banking through its web site, check cashing services at Cash & Save locations and tailored loan investment products to high net worth customers. Institutional customers are offered employee benefit, 401(k) administration, corporate trust, securities lending and custody services. UNBC also has a registered investment advisor subsidiary.

The Commercial Financial Services Group offers a variety of commercial financial services, including commercial and project loans, real estate financing, asset-backed financing, trade finance and letters of credit, lease financing, customized cash management services and selected capital markets products. UNBC's customers include middle-market companies, large corporations, real estate companies and other more specialized industry customers. In addition, specialized depository services are offered to title and escrow companies, retailers, domestic financial institutions, bankruptcy trustees and other customers with significant deposit volumes.

The International Banking Group primarily provides correspondent banking and trade finance-related products and services to financial institutions worldwide, primarily in Asia. UNBC offers products and services such as letters of credit, international payments, collections and financing of mostly short-term transactions. UNBC also serves non-U.S. firms and U.S. corporate clients in selected countries worldwide, particularly in Asia. UNBC has a long history of providing correspondent and trade-related services to international financial institutions.

The Global Markets Group collaborates with the other UNBC business groups to provide customers a broad range of products, including a variety of foreign exchange products and risk management products, such as interest rate swap and options. UNBC trades money market and fixed income securities in the secondary market and serves institutional investment needs.

In 2001, UNBC extended its retail product line to include insurance services. With the acquisition in November 2001 of Armstrong/Robitaille Business and Insurance Services, a California-based regional insurance broker, UNBC now offers an extensive array of cost-effective risk management services and insurance products to business and retail customers. In May 2002, UNBC acquired First Western Bank, which operates 7 branches in southern California.

Operations Services Unit

The operations services unit provides operations and settlement services to the business units of Bank of Tokyo-Mitsubishi and to Bank of Tokyo-Mitsubishi's customers. In addition, the unit offers operations and settlement services to other financial institutions to meet their outsourcing needs. The unit also provides services related to Japan's official development assistance through its Economic Cooperation Office.

Operations Services. The unit provides operations services for the domestic commercial banking activities of the retail banking, commercial banking, and global corporate banking business units.

The unit offers outsourcing services in foreign remittance, export, and import operations for Japanese financial institutions. As of March 31, 2002, 74 Japanese banks utilized Bank of Tokyo-Mitsubishi's foreign remittance service offered under the "Global Operation Automatic Link (GOAL)" brand name, and a number of major Japanese banks outsourced their export and import operations to Bank of Tokyo-Mitsubishi.

Correspondent Banking and Settlement. Through the unit, Bank of Tokyo-Mitsubishi acts as a correspondent bank for other financial institutions. As of March 31, 2002, Bank of Tokyo-Mitsubishi had correspondent arrangements with 3,151 foreign banks and other financial institutions, of which 1,872 had yen settlement accounts. Bank of Tokyo-Mitsubishi also had correspondent arrangements with 156 Japanese financial institutions, for which Bank of Tokyo-Mitsubishi held 142 yen and foreign currency accounts.

The unit also conducts yen clearing for other banks. As of March 31, 2002, Bank of Tokyo-Mitsubishi had the largest market share of this business with 50 regional and foreign banks in Japan outsourcing their yen clearing operations to Bank of Tokyo-Mitsubishi. Bank of Tokyo-Mitsubishi handled approximately 25% of these transactions by volume and is a market leader in the yen settlement business.

The unit provides real time settlement of funds and securities transfers individually on an order-by-order basis without netting, both for Bank of Tokyo-Mitsubishi itself and for other financial institutions.

Treasury Unit

The treasury unit of Bank of Tokyo-Mitsubishi manages Bank of Tokyo-Mitsubishi's overall funding requirements. The unit is responsible for the bank's asset liability management functions, and manages the bank's debt securities portfolio, foreign exchange and derivatives transactions, including trading, for the bank's own account. It also works with other business units to provide foreign currency futures, currency options, interest rate transactions, commercial paper underwriting, market forecasts and hedging arrangements for customers.

The treasury unit is active in the world's main financial markets and has global treasury offices in Tokyo, New York, London, Singapore and Hong Kong. The unit credits the retail banking, commercial banking, and global corporate banking business units for funds generated from deposit activities and charges the units for funds provided for lending activities based on an internal transfer pricing system, reflecting current market rates.

The treasury unit is responsible for asset liability management within Bank of Tokyo-Mitsubishi. The treasury unit seeks to control the interest rate and liquidity risks of the bank and to make it possible for the bank to conduct its investment and fund-raising activities within an appropriate range of risk.

In the international money markets, the treasury unit raises foreign currency funds through interbank transactions, deposits and certificates of deposit. It actively deals in short-term yen-denominated instruments, such as interest rate swaps, futures and futures options. Bank of Tokyo-Mitsubishi is a major market-maker of short-term yen interest rate swaps.

Bank of Tokyo-Mitsubishi is a leading market-maker in the Tokyo over-the-counter currency option market and in the Tokyo foreign exchange market. Bank of Tokyo-Mitsubishi has a large market share of transactions in the dollar-yen sector and in major cross-currency and currency options trading.

The unit actively trades in the secondary market for Japanese government bonds, local government bonds and government-guaranteed bonds.

Mitsubishi Trust Bank

Mitsubishi Trust Bank is one of the major trust banks in Japan. It engages in the following businesses:

- trust-banking business;
- trust assets business;
- real estate business; and
- global markets business.

As of March 31, 2002, Mitsubishi Trust Bank had a network of 51 branches and four sub-branches. For a detailed analysis of financial results by business segment, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Business Segment Analysis," and for a detailed analysis of financial results by geographic segment, see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Geographic Segment Analysis."

Trust-Banking Business Group

The trust-banking business group of Mitsubishi Trust Bank provides retail banking and trust services, corporate financing services and stock transfer agency services. The trust-banking business group provides a full range of commercial banking products, trust products and various financial services to individuals, corporations, institutional investors, and public organizations. Bank of Tokyo-Mitsubishi offers some of Mitsubishi Trust Bank's products and services to its own customers. The group also offers clients expertise in such areas as stock transfer agency services, which include consultations on stock listing and legal matters, stock title transfer and stock-related administration services.

Among Mitsubishi Trust Bank's business groups, the trust-banking business group employs the largest number of staff and generates the largest contribution to revenues. This group also has the greatest responsibility for building and maintaining good relationships with retail and corporate clients and performs a vital function as the first line of contact with individuals and companies.

Retail Banking Services. The trust-banking business group offers asset-management and custody services to individuals. The group offers current accounts, ordinary deposits, time deposits, deposits at notice and other deposit facilities. It also offers trust products, such as loan trusts and money trusts, and other investment products, such as investment trusts and foreign-currency deposits.

The group creates portfolios for individuals by combining savings instruments and investment products. The group also provides a range of advisory services, including with regard to the purchase and disposal of real estate and effective land utilization, as well as consultations on testamentary trusts and other financial instruments.

Corporate Finance Products and Services. The trust-banking business group offers a spectrum of services integrating trust and banking functions, in order to satisfy the financial needs of more than 7,000 corporate clients. Traditional commercial banking services include loans, the arrangement of syndicated loans, securitization and the establishment of loan commitments. The group combines these activities with services tailored to the financial strategies of each client, including securitization of real estate, receivables and other assets.

In July 2001, the group teamed up with Goldman Sachs Group, Inc. to facilitate a sell off non-performing loans in a securitized form through the use of a trust scheme. The group also provided trustee services for securitizations of non-performing loans held by financial institutions in co-operation with Japan's Resolution and Collection Corp. in February 2002. In the fiscal year ended March 31, 2002, the group acted as the arranger as well as the trustee for over ¥3 trillion of securitized loan credits (including non-performing loans), property, sales credits and other credits.

The group also offers its corporate customers mergers and acquisition advice and trust services related to pensions and real estate.

Stock Transfer Agency Services. The group offers stock transfer agency services, in which Mitsubishi Trust Bank acts as agent for corporate clients, handling the administrative procedures of stock title transfer and dividend payments. The group also offers consultation services on investor relations to listed companies and advises companies planning to go public on the establishment of internal administration systems and the practical procedures involved in the issuance of shares. As of March 31, 2002, Mitsubishi Trust Bank was serving as the stock transfer agent for 870 companies based in Japan and overseas.

Trust Assets Business Group

The trust assets business group provides fiduciary asset management and administration services. As of March 31, 2002, the balance of corporate pension assets entrusted to Mitsubishi Trust Bank, surpassed the level held by other trust banks in Japan.

Trust Assets Management Services. The group manages investment funds, corporate pensions, public pensions, public sector funds, and individual funds, on behalf of its clients and in accordance with their investment objectives. It also provides actuarial and other pension-related consultations.

To address the diverse needs of Mitsubishi Trust Bank's clients, the group offers a wide range of products, including actively managed funds for investors seeking to outperform the market as well as passively managed or indexed funds, which are becoming increasingly popular. The group also provides currency overlay management services and alternative investment products.

Assets Administrative and Custodial Services. In the asset administration business, the group provides a broad range of custodial services to corporations, institutional investors and other clients. The group began offering special purpose trusts for treasury stock following a change in law in Japan in 2001 that allows corporations to hold treasury stock. These trusts are designed to satisfy the needs of corporate clients who are required to comply with insider trading rules and market-manipulation rules when executing share buybacks. In May 2002, Mitsubishi Trust Bank transferred to Master Trust Bank of Japan, Ltd. assets under management encompassing marketable securities held by funds including pension trusts, specified money trusts and securities investment trusts. Master Trust Bank of Japan is a trust bank which specializes in asset administration. It was established in May 2000 by Mitsubishi Trust Bank, Nippon Life, UFJ Trust Bank, Meiji Life and Deutsche Bank.

Mitsubishi Trust Bank took the lead among domestic trust banks in introducing Straight-Through Processing (STP) systems with interface functions for asset administration. The STP system for domestic shares became operational in September 2001 and the STP system for domestic bonds became operational in February 2002. With the STP systems for foreign exchange trading and foreign securities already in operation, Mitsubishi Trust Bank is now in a position to execute straight-through processing for all of its domestic and foreign securities transactions and foreign exchange trading. Straight-through processing has substantially improved the speed and accuracy of the group's asset administration operations, and is an essential foundation for "T+1 settlement."

Real Estate Business Group

In April 2001, Mitsubishi Trust Bank upgraded the status of its real estate business from part of the banking business group to a newly established real estate business group. Mitsubishi Trust Bank aims to expand its real estate-related business, tapping into a wider client base and working closely with Bank of Tokyo-Mitsubishi.

In addition to its current main business of real estate brokerage and rental operations, the real estate business group offers trust vehicles such as real estate management trusts, disposal trusts and land trusts, as well as appraisals, sales of residential condominiums and advice on the development, utilization and disposal of real estate. The group's wide assortment of products and services are designed to meet the diverse real estate-related needs of the retail and corporate clients. In an effort to provide excellent products and services, the group retains the services of a large number of highly qualified experts, including registered architects, registered real estate transaction managers, appraisers and associate appraisers, and registered real estate consultants.

Global Markets Business Group

Mitsubishi Trust Bank's global markets business group undertakes various financial services, including money markets and capital markets operations, securities investments and international finance. The group is active in three key regions—the United States, Europe and Asia. Historically it has been one of Mitsubishi Trust Bank's most profitable businesses.

In the area of international finance, the group offers loans, guarantees and other credit facilities to multinational corporate clients, including the affiliates of Japanese corporations abroad. The group has been particularly successful in the field of aviation finance.

Mitsubishi Trust Bank maintains a presence in the world's major financial markets through a network of five branches, three representative offices and six major subsidiaries. Mitsubishi Trust Bank has business ties with six major financial institutions in five key Asian countries.

Competition

The Group faces strong competition in all of our principal areas of operation. The deregulation relating to the Japanese financial market and Japanese financial institutions which is sometimes referred to as Japan's "Big Bang" and structural reforms in the regulation of the financial industry have resulted in dramatic changes to the Japanese financial system and we are increasingly exposed to more severe competition, not only with other financial institutions but also in some areas with other types of businesses.

Japan

In recent years, competition has intensified not only among commercial banks in Japan but also with foreign banks, domestic and foreign securities firms, insurance companies and other non-bank financial institutions. A number of factors have led to stronger competition in the financial industry. For example, deregulation has broken down barriers between different types of Japanese financial institutions, which are now able to compete directly against each other. Deregulation and market factors have facilitated the entry of various large foreign financial institutions into the Japanese domestic market. Japanese corporations have increasingly raised funds through the capital markets, both within Japan and overseas. In addition, demand for loan financing has been weak.

The Law amending the Relevant Laws for the Reform of the Financial System, or the Financial System Reform Act, which was promulgated in June 1998, provided a framework for reform of the Japanese financial system, including the relaxation of barriers between the banking, securities and insurance businesses. Article 65 of the Securities and Exchange Law of Japan separates the banking and securities businesses. However, banks in Japan (including our Group), like their counterparts in the United States, have been seeking authorization to combine traditional commercial and investment banking activities in order to offer customers a wider range of services. Conversely, securities firms are seeking the authority to engage in activities that have been considered banking activities and have been forbidden to them. The present policy of the Japanese government is to reduce the barriers between the banking and securities businesses in Japan and the Bank expects increased competition among financial institutions in new areas of permissible activities. The Financial System Reform Law (Law No. 87 of 1992) and the subsequent amendment to the Banking Law now permit banks to establish or otherwise own domestic and overseas subsidiary securities companies (with the approval of the FSA) and to engage in the securities business.

In the corporate banking sector, the principal effect of this reform has been the gradual and ongoing erosion of two structural features of Japan's highly specialized and segmented financial system: the separation of banking and securities businesses in Japan, and distinctions among the permissible activities of Japan's three principal types of private banking institutions. For discussion of the three principal types of private banking institutions, see "Item 4.B. Information on the Company—Business Overview—The Japanese Banking System."

Within the Japanese consumer banking sector, the deregulation of interest rates on yen deposits has enabled banks to offer customers an increasingly attractive and diversified range of products. In addition, banks have been allowed to sell insurance products to a limited extent from April 2001. Banks are now allowed to sell long-term fire insurance relating to housing loans, insurance for repayment of liabilities, credit life insurance and overseas travel accident insurance. We face competition in this sector from the other private financial institutions as well as from the Postal Savings Agency, a government entity that is the world's largest holder of deposits. The Postal Services Agency is scheduled to be reorganized into a public services corporation in 2003. Recently Japanese banks have started competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner and to create sophisticated new products in response to customer demand.

The trust assets business is a promising growth area that is competitive and becoming more so because of changes in the industry. There is growing corporate demand to change in the trust regulatory environment, such as pension reform and changes in accounting regulations under Japanese GAAP. We face increasing competition in our trust asset business.

Integration among major banks was achieved recently. In September 2000, The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited, and The Industrial Bank of Japan, Limited, jointly established a holding company, Mizuho Holdings, Inc., to own the three banks. Subsequently, in April 2002, the three banks were reorganized into two banks—Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. In April 2001, The Sumitomo Bank, Limited, and The Sakura Bank, Limited, were merged into Sumitomo Mitsui Banking Corporation. In April 2001, The Sanwa Bank, Limited, The Tokai Bank, Limited, and The Toyo Trust and Banking Company, Limited jointly established a holding company, UFJ Holdings, Inc., to own the three banks. Subsequently, in January 2002, the three banks were reorganized into two banks, UFJ Bank Limited and UFJ Trust Bank Limited.

In recent years, various large foreign financial institutions have significantly expanded their presence in the Japanese domestic market. Citigroup, for example, has both expanded its banking activities and moved aggressively to increase its activities in providing investment banking and other financial services. In March 2000, The Long-Term Credit Bank of Japan, Ltd., which was temporarily nationalized after its failure, was taken over by a foreign investor group and subsequently relaunched as Shinsei Bank Limited. In addition, other financial institutions, such as Orix Corporation, and non-financial companies, such as Sony Corporation and Ito-Yokado Co., Ltd., have also begun to offer various banking services, often through non-traditional distribution channels.

For additional discussion of the competition we face, see "Item 4.B. Information on the Company—Business Overview—The Japanese Banking System."

Foreign

In the United States, we face substantial competition in all aspects of our business. We face competition from the other large U.S. and foreign-owned money-center banks, as well as from similar institutions that provide financial services. Through Union Bank of California, we compete principally with U.S. and foreign-owned money-center and regional banks, thrift institutions, insurance companies, money market funds, consumer finance companies, credit unions and other financial institutions.

In other international markets, the Group faces competition from commercial banks and similar financial institutions, particularly major international banks and the leading domestic banks in those financial markets outside Japan in which we conduct business.

The Japanese Banking System

Private banking institutions in Japan are normally classified into three categories:

- ordinary banks—as of July 8, 2002, there were 127 ordinary banks in Japan, and 72 foreign commercial banks with banking operations in Japan;
- trust banks—as of July 8, 2002, there were 29 trust banks in Japan, including nine Japanese subsidiaries of foreign financial institutions; and
- long-term credit banks—as of July 8, 2002, there were two long-term credit banks in Japan.

Ordinary banks in turn are classified as city banks, of which there are seven, including Bank of Tokyo-Mitsubishi, and regional banks, of which there are 120. In general, the operations of ordinary banks correspond to commercial banking operations in the United States. City banks and regional banks are distinguished based on head office location as well as the size and scope of their operations.

The city banks are generally considered to be the largest and most influential group of banks in Japan. Generally, these banks are based in large cities, such as Tokyo and Osaka, and operate nationally through networks of branch offices. City banks have traditionally emphasized their business with large corporate clients, including the major industrial companies in Japan. However, in light of deregulation and other competitive factors, many of these banks (including Bank of Tokyo-Mitsubishi) in recent years have increased their emphasis on other markets. In recent years, almost all of the city banks have consolidated with other city banks and, in some cases, also with long-term credit banks or trust banks.

Both trust banks (including Mitsubishi Trust Bank) and long-term credit banks are engaged primarily in providing long-term loans to Japanese industry, principally with funds obtained from beneficiary certificates, in the case of the trust banks, and the issue of debentures, in the case of the long-term credit banks. As discussed elsewhere, the recent changes in the financial markets have adversely affected the traditional function of long-term credit banks, which were temporarily nationalized in 1998 following their financial failure. These changes have also affected the trust banks, which have also effected certain mergers or business tie-ups with other trust banks or, in some cases, with city banks.

Integration among city banks, trust banks and long-term credit banks took place, in most cases, through the use of a bank holding company, establishment of which became possible after amendments to the Banking Law in 1998. For additional discussion of bank holding companies, see "Item 4.B. Information on the Company—Business Overview—Competition" and "Item 4.B. Information on the Company—Business Overview—Supervision and Regulation—Japan."

With some exceptions, the regional banks tend to be much smaller in terms of total assets than the city banks. Each of the regional banks is based in one of the Japanese prefectures and extends its operations into neighboring prefectures. Their clients are mostly regional enterprises and local public utilities, although the regional banks also lend to large corporations. In line with the recent trend among financial institutions toward mergers or business tie-ups, certain regional banks have announced or are currently negotiating or pursuing integration transactions, in many cases in order to be able to undertake the huge investments required in information technology.

In addition to ordinary banks, trust banks and long-term credit banks, other private financial institutions in Japan, including credit associations and credit cooperatives, are engaged primarily in making loans to small businesses and individuals.

Since World War II, a number of government financial institutions have been organized in order to supplement, rather than compete with, the activities of the private banking institutions. These corporations are wholly owned by the government and operate under its supervision. Their funds are provided mainly from government sources. Among them are:

- The Development Bank of Japan, whose purpose is to contribute to the economic development of Japan by extending long-term loans, primarily to primary and secondary sector industries;
- Japan Bank for International Cooperation, whose purpose is to supplement and encourage the private financing of exports, imports, overseas investments and overseas economic cooperation;
- Japan Finance Corporation for Small Business, The Government Housing Loan Corporation and The Agriculture, Forestry and Fisheries Finance Corporation, the purpose of each of which is to supplement private financing in its respective field of activity; and
- The Postal Savings Agency, a government entity that is the world's largest holder of deposits. The Postal Services Agency is scheduled to be reorganized into a public services corporation in 2003.

Supervision and Regulation

Japan

Supervision and Japan's Big Bang

As a result of the deregulation and structural reforms in the Japanese financial industry, Japanese financial institutions gained the opportunity to provide a wide range of financial products and options to their clients, while at the same time becoming subject to more strict regulations and oversight.

After several reorganizations of Japanese governmental agencies, the Financial Services Agency which is an agency of the Cabinet Office has the supervisory and inspection functions with respect to financial institutions, the policy-making functions for the overall Japanese financial system and functions concerning insolvency proceedings of the financial institutions.

Bank Holding Company Regulations

A bank holding company is prohibited from carrying on business other than administration of management of its subsidiaries and other incidental business. A bank holding company may have as its subsidiaries banks (including trust banks and long-term credit banks), securities companies, insurance companies and foreign subsidiaries engaging in banking, securities or insurance business. In addition, a bank holding company may have as its subsidiaries companies engaging in businesses relating or incidental to the businesses of the companies mentioned above, such as credit card companies, leasing companies, investment advisory companies, companies relating to bank accounting and companies that supervise real estate for bank use. Companies that cultivate new business fields may also become a bank holding company's subsidiaries.

The provisions of the Anti-Monopoly Law that prohibit a bank from holding more than 5% of another company's voting rights do not apply to a bank holding company. However, the Banking Law prohibits a bank holding company and its subsidiaries, on an aggregated basis, from holding more than 15% of the voting rights of companies other than those which may become subsidiaries of bank holding companies.

Examination and Reporting

By evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the Financial Services Agency monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The inspection of banks is performed pursuant to a Financial Examination Manual published by the Financial Services Agency with a view to emphasizing (i) each bank's self-assessment rather than the advice of the governmental authority and (ii) risk management made by each bank instead of a simple assessment of its assets.

The Financial Services Agency, if necessary in order to secure the sound and appropriate operation of business of a bank, may request the reports or submission of materials from, or inspect the bank and/or the bank holding company which holds such bank.

The amendments to the Banking Law which include rules concerning the entry into the banking business became effective as from April 1, 2002. Under these amendments, a person who desires to hold 20% (in certain exceptional cases, 15%) or more of the voting rights of a bank is required to obtain approval of the Commissioner of the Financial Services Agency in advance for this holding of shares. In addition, the Financial Services Agency may request the reports or submission of materials from, or inspect the person who holds 20% (in certain exceptional cases, 15%) or more of the voting rights of a bank if necessary in order to secure the source and appropriate operation of business of such bank.

Furthermore, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or bank must report its ownership of voting rights to the Director of a relevant local finance bureau within 5 business days. In addition, a similar report must 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.

The Bank of Japan also conducts examinations of banks similar to those of banks undertaken by the Financial Services Agency. The amended Bank of Japan Law provides that The Bank of Japan and financial institutions may agree as to the form of examination to be conducted by The Bank of Japan. We expect that the examinations of banks by The Bank of Japan will be conducted in coordination with the examinations by the Financial Services Agency.

Capital Adequacy

The capital adequacy guidelines adopted by the Financial Services Agency applicable to Japanese bank holding companies and banks with international operations closely follow the risk-weighted approach proposed by the Basel Committee on Banking and Supervisory Practices of the Bank for International Settlements, and are intended to further strengthen the soundness and stability of Japanese banks.

In addition to credit risk, the guidelines regulate market risk. Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. The risks subject to these requirements are (1) the risks pertaining to interest rate related instruments and equities in the trading book; and (2) foreign exchange risk and commodities risk throughout the bank.

Under the risk-based capital framework for credit risk purposes of the capital adequacy guidelines, balance sheet assets and off-balance-sheet exposures are assessed according to broad categories of relative risk, based primarily on the credit risk of the counterparty and country transfer risk. Five categories of risk weights (0%, 10%, 20%, 50%, 100%) are applied to the different types of balance sheet assets. Off-balance-sheet exposures are taken into account by applying different categories of "credit conversion factors" to arrive at credit-equivalent amounts, which are then weighted in the same manner as balance sheet assets involving similar counterparties, except that the maximum risk weight is 50% for exposures relating to foreign exchange and interest rate contracts.

With regard to capital, the capital adequacy guidelines are in accordance with the standards of the Bank for International Settlement for a target minimum standard ratio of capital to modified risk-weighted assets of 8.0%. Modified risk-weighted assets is the sum of risk-weighted assets compiled for credit risk purposes and market risks multiplied by 12.5. The capital adequacy guidelines place considerable emphasis on tangible common stockholders' equity as the core element of the capital base, with appropriate recognition of other components of capital.

Capital is classified into three tiers, referred to as Tier I, Tier II, and Tier III. Tier I capital generally consists of stockholders' equity less any recorded goodwill. Tier II capital generally consists of:

- reserves for credit losses, subject to a limit of 1.25% of modified risk-weighted assets;
- 45% of the valuation differences of marketable securities available for sale;
- 45% of the land revaluation excess; and
- the balance of subordinated term debt with original maturity of over five years up to 50% of Tier I capital.

Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years and which is subject to a "lock-in" provision. Such a provision stipulates that neither interest nor principal may be paid if such payment would cause the bank's overall capital amount to be less than its minimum capital requirement. At least 50% of the minimum capital requirements must be maintained in the form of Tier I capital.

Deposit Insurance System and Government Investment in Financial Institutions

The Deposit Insurance Law is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation was established in accordance with that law.

City banks (including Bank of Tokyo-Mitsubishi), regional banks, long-term credit banks, trust banks (including Mitsubishi Trust Bank), and certain other credit institutions participate in the deposit insurance system on a compulsory basis.

Under the Deposit Insurance Law, the maximum amount of protection is ¥10 million per customer within one bank. However, the deposits in such accounts as current accounts and ordinary accounts are fully protected without maximum amount limitation until the end of March 2003. Currently, the Deposit Insurance Corporation charges insurance premiums equal to 0.094% on the deposits in current accounts, ordinary accounts and certain other similar accounts which are fully protected as mentioned above and premiums equal to 0.080% on the deposits in other accounts.

Since 1998, the failures of large scale financial institutions have led to various measures, including financial support from the national budget, taken with a view to stabilizing Japan's financial systems.

The "Law Concerning Emergency Measures for Revitalization of Financial Function," or the Financial Revitalization Law, enacted in October 1998, provides for (i) temporary state control of a failed financial institution, (ii) dispatch of a financial resolution administrator to the failed financial institution, and (iii) the establishment of a bridge bank which takes over the business of the failed financial institution on a temporary basis.

The "Law Concerning Emergency Measures for Early Strengthening of Financial Function," or the Financial Function Early Strengthening Law, also enacted in October 1998, provided for government funds to be made available to financial institutions "prior to failure" as well as to financial institutions with "sound" management, for the purpose of increasing the ratio of capital of such financial institutions and to strengthen their function as financial market intermediaries. The availability of new funds for this purpose ended on March 31, 2001.

Capital injections made under the Financial Function Early Strengthening Law amounted to approximately ¥10 trillion. Starting in April 2001, amendments to the Deposit Insurance Law established a new framework which enables the Deposit Insurance Corporation of Japan to inject capital in a bank if the Prime Minister believes it must do so to guard against financial systemic risk.

The Securities and Exchange Law

Article 65 of the Japanese Securities and Exchange Law generally prohibits the conduct of securities business by banks. Under this law, banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, may not engage in securities business except for limited activities such as dealing in, underwriting and brokerage of Japanese governmental bonds, Japanese local government bonds and Japanese government guaranteed bonds, and offering investment trusts.

In general, the restrictions of the Securities and Exchange Law do not extend directly to the subsidiaries of banks outside Japan, which have engaged in the securities business mainly in connection with overseas fund-raising by Japanese companies.

In addition, the Financial System Reform Law allows banks, securities companies and trust companies to engage in the business of other financial sectors through their subsidiaries in Japan. Furthermore, banks' securities subsidiaries in Japan are now permitted to engage in the underwriting and brokerage not only of bonds but also of equity securities. This has enabled banks' securities subsidiaries to offer a full line of securities-related services to their customers.

We are required to file with the Director of the Kanto Local Finance Bureau of the Ministry of Finance a securities report for each fiscal period, supplemented by semi-annual and extraordinary reports, pursuant to the Securities and Exchange Law.

Anti Monopoly Law

In December 1997, the Anti-Monopoly Law was amended to generally permit holding companies, except in circumstances where the holding company would result in an excessive concentration of economic power. Additional legislative measures relating to holding companies of certain types of financial institutions, such as banks, securities companies and trust banks became effective in March 1998. In connection with those legislative measures and amendments, in December 1997, the Fair Trade Commission promulgated amendments to the guidelines under the Anti-Monopoly Law which relaxed the standards for approval of a financial institution's stockholdings of more than 5% in another company to permit a financial institution to acquire interests in other financial institutions.

United States

As a result of our operations in the United States, we are subject to extensive U.S. federal and state supervision and regulation.

Overall Supervision and Regulation

We are subject to supervision, regulation and examination with respect to our U.S. operations by the Board of Governors of the Federal Reserve System, or Federal Reserve Board or Board, because we are a bank holding company under the U.S. Bank Holding Company Act of 1956, as amended, or the BHCA, and a qualifying foreign banking organization, or QFBO, under the International Banking Act of 1978, as amended, or the IBA. We indirectly own and control three U.S. banks: Bank of Tokyo-Mitsubishi Trust Company, New York, New York, Union Bank of California, N.A. (through UnionBanCal Corporation, a registered bank holding company), and Mitsubishi Trust & Banking Corporation (U.S.A.), New York, New York. In addition, under the authority of the IBA, our subsidiary banks in Japan, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, which are registered bank holding companies through which we control the U.S. banks, operate seven branches, two agencies, and four representative offices in the United States. Bank of Tokyo-Mitsubishi operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; Portland, Oregon; and Seattle, Washington; agencies in Atlanta, Georgia and Houston, Texas; and representative offices in Washington, D.C; Minneapolis, Minnesota; Dallas, Texas; and Jersey City, New Jersey. Mitsubishi Trust Bank operates a branch in New York, New York.

The Federal Reserve Board also functions as our "umbrella" regulator under amendments to the BHCA effected by the Gramm-Leach-Bliley Act of 1999, or the GLBA. Among other things, the GLBA prohibited further expansion of activities in which bank holding companies, acting directly or through nonbank subsidiaries, may be permitted to engage; it authorized qualifying bank holding companies to opt to become "financial holding companies," and thereby acquire the authority to engage in an expanded list of activities, including merchant banking, insurance underwriting and a full range of securities activities; and it defined a new role for the Federal Reserve Board as the "umbrella" or overall regulator, specifying new special relationships between the Federal Reserve Board and the functional regulators of subsidiaries of both bank holding companies and financial holding companies. We have not elected to become a financial holding company.

The Federal Reserve Board uses a number of tools as the regulator of bank holding companies, including those that have opted to become financial holding companies. It requires periodic reports, conducts examinations, supervises their operations and promulgates regulations governing their activities.

The BHCA generally prohibits a foreign banking organization that maintains branches or agencies in the United States from, directly or indirectly, acquiring more than 5% of the voting shares of any company engaged in non-banking activities in the United States unless the foreign bank has elected to become a financial holding company, as discussed above, or the Federal Reserve Board has determined, by order or regulation, that such activities are so closely related to banking as to be a proper incident thereto. In addition, the BHCA requires any entity to obtain the prior approval of an appropriate federal banking authority before acquiring, directly or indirectly, the ownership of more than 5% of the voting shares or control of any U.S. bank or bank holding company. Subject to deposit concentration and other limitations, and with the prior approval of appropriate Federal and state regulators, a bank holding company may acquire an out-of-state bank or merge with its holding company. Also, a bank may establish a new out-of-state branch if such branching is expressly permitted by the other state. In addition, under the BHCA, a bank and a branch or agency of a foreign bank is prohibited from engaging in certain tying arrangements involving it or its affiliates in connection with any extension of credit or sale or lease of any property or provision of any services.

U.S. Branches and Agencies of Subsidiary Japanese Banks

Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank have branches, agencies or representative offices in nine states and the District of Columbia. U.S. branches and agencies of foreign banks must be licensed, supervised and regulated by a state or by the Office of the Comptroller of the Currency, or the OCC, the federal regulator of national banks, and are subject to additional supervision and regulation by the Board. All of the branches of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in the United States are state-licensed. U.S. federal banking laws subject state-licensed branches and agencies to the same single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital ratio of the entire foreign bank. For example, the branches of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank in New York are licensed by the New York State Superintendent of Banks pursuant to the New York Banking Law. Under the New York Banking Law and the Superintendent's regulations, each of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank must maintain with banks in the State of New York eligible assets (which consist of specified types of governmental obligations, U.S. dollar deposits, investment-grade commercial paper, obligations of certain international financial institutions and other specified obligations) in an amount equal to the greatest of (1) 5% of the total liabilities of the applicable New York branch, excluding liabilities to other offices and affiliates and liabilities of the applicable branch that are booked in such branch's international banking facility, (2) 1% of the total liabilities of the applicable branch, excluding liabilities to other offices and affiliates, or (3) $1,000,000, as security for the protection of depositors and certain other creditors. These New York branches must also submit written reports concerning their assets and liabilities and other matters, to the extent required by the Superintendent, and are examined at periodic intervals by the New York State Banking Department. In addition, the Superintendent is authorized to take possession of the business and property of Bank of Tokyo-Mitsubishi or Mitsubishi Trust Bank located in New York whenever events specified in the New York Banking Law occur.

The IBA provides, among other things, that the Federal Reserve Board may examine U.S. branches and agencies of foreign banks, and that each such branch and agency shall be subject to on-site examination by the appropriate Federal or state bank supervisor as frequently as would a U.S. bank. The IBA also provides that if the Federal Reserve Board determines that a foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or if there is reasonable cause to believe that the foreign bank or its affiliate has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States, the Federal Reserve Board may order the foreign bank to terminate activities conducted at a branch or agency in the United States. The foreign bank receiving the order must comply with the requirements of applicable Federal and state law with respect to procedures for the closure or dissolution of the branch or agency.

U.S. Subsidiary Banks

Two of our three U.S. subsidiary banks, Bank of Tokyo-Mitsubishi Trust Company and Mitsubishi Trust & Banking Corporation (U.S.A.), are chartered by the State of New York, and are subject to the supervision, examination and regulatory authority of the Superintendent of Banks pursuant to the New York Banking Law. The third, Union Bank of California, N.A., is a national bank subject to the supervision, examination and regulatory authority of the OCC. The GLBA amended the National Bank Act to permit the OCC to allow a national bank to establish a financial subsidiary that may engage in many of the activities in which a financial holding company may engage. The GLBA and implementing regulations changed many of the rules governing the operations of national and state chartered banks, including, for example, by providing for rules pursuant to which they may sell insurance, and by providing for the financial privacy of consumers.

The Federal Deposit Insurance Corporation, or the FDIC, is the primary federal agency responsible for the supervision, examination and regulation of the two New York-chartered banks referred to above, and insures the deposits of all three U.S. subsidiary banks. In the event of the failure of an FDIC-insured bank, the FDIC is virtually certain to be appointed as receiver, and would resolve the failure under provisions of the Federal Deposit Insurance Act.

An FDIC-insured institution that is affiliated with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. Any obligation or liability owed by an insured depository institution subsidiary to its parent company is subordinate to the subsidiary's cross-guarantee liability with respect to commonly controlled insured depository institutions and to the rights of depositors. In the liquidation or other resolution of a failed FDIC-insured depository institution, deposits in its U.S. offices and other claims for administrative expenses and employee compensation are afforded a priority over other general unsecured claims, including deposits in offices outside the United States, nondeposit claims in all offices, and claims of a parent company. Such priority creditors would include the FDIC, which succeeds to the position of insured depositors. Moreover, under long-standing Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength for its subsidiary banks and to commit resources to support such banks.

Bank Capital Requirements and Capital Distributions

Our U.S. bank and bank holding company subsidiaries are subject to applicable risk-based and leverage capital guidelines issued by U.S. regulators for banks and bank holding companies. All of our U.S bank and bank holding company subsidiaries are adequately capitalized under those guidelines. In addition, the Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the Federal banking agencies have established five capital tiers ranging from "well capitalized" (the highest) to "critically undercapitalized" for insured depository institutions. In addition, FDICIA generally prohibits an insured depository institution from making capital distributions (including the payment of dividends) or the payment of any management fee to its holding company, if the insured depository institution would subsequently become undercapitalized. If an insured depository institution is undercapitalized, its activities may be limited and it must submit an acceptable capital restoration plan to its regulators, which must be guaranteed by each company that controls it. As an institution's capital position deteriorates, the Federal banking regulators may take progressively stronger actions, such as further restricting affiliate transactions, activities, asset growth or interest payments. These actions could culminate in the appointment of a receiver for a "critically undercapitalized" insured depository institution, one that has tangible equity in an amount that is less than 2% of total assets. The availability of dividends from insured depository institutions in the United States is limited by various other statutes and regulations. The National Bank Act and other Federal laws prohibit the payment of dividends by a national bank under certain circumstances, and limit the amount a national bank can pay without the prior approval of the OCC. In addition, state chartered banking institutions are subject to dividend limitations imposed by applicable Federal and state laws.

Other Regulated U.S. Subsidiaries

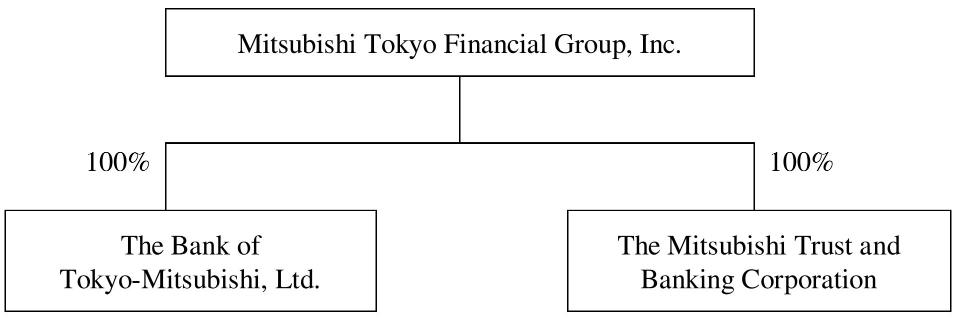
In addition, our non-bank subsidiaries engaged in securities or futures-related activities in the United States are regulated by appropriate functional regulators, such as the Securities and Exchange Commission and the

Commodities Futures Trading Commission, any self-regulatory organizations of which they are members, and the appropriate state regulatory agencies. These non-bank subsidiaries are required to meet separate minimum capital standards as imposed by those regulatory authorities.

The GLBA removed almost all of the pre-existing statutory barriers to affiliations between commercial banks and securities firms by repealing Sections 20 and 32 of the Glass-Steagall Act. At the same time, however, the so-called “push-out” provisions of the GLBA narrowed the exclusion of banks (including the U.S. branches of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank) from the definitions of “broker” and “dealer” under the Securities Exchange Act of 1934, potentially requiring all such banks to transfer some activities to affiliated broker/dealers. In May 2001, the Securities and Exchange Commission issued interim rules defining certain terms in the “push-out” provisions and granting banks additional exemptions from broker-dealer registration. In May 2002, the Securities and Exchange Commission extended the date by which banks must bring their activities into compliance with certain of the “push-out” provisions related to broker-dealer activities by exempting banks from the definition of “dealer” until November 2002 and from the definition of “broker” until May 2003.

C. Organizational Structure

The following chart presents our basic corporate structure:



Mitsubishi Tokyo Financial Group is the direct shareholder of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. The other subsidiaries and affiliated companies are held indirectly under these two subsidiaries.

Set forth below is a list of our significant subsidiaries at March 31, 2002.

Name	Country of incorporation	Proportion of ownership interest (%)
The Bank of Tokyo-Mitsubishi, Ltd.	Japan	100.00
The Mitsubishi Trust and Banking Corporation	Japan	100.00
Tokyo-Mitsubishi Securities Co., Ltd.	Japan	100.00
The Diamond Home Credit Company Limited	Japan	99.99
The Diamond Mortgage Co., Ltd.	Japan	100.00
The Diamond Factors Limited	Japan	58.50
MTB Investment Technology Institute, Ltd.	Japan	100.00
Tokyo-Mitsubishi Cash One, Ltd.	Japan	63.50
Defined Contribution Plan Consulting of Japan Co., Ltd.	Japan	70.00
UnionBanCal Corporation	United States	67.52
Union Bank of California, N.A.	United States	67.52
Bank of Tokyo-Mitsubishi Trust Company	United States	100.00
Tokyo-Mitsubishi International plc	United Kingdom	100.00
Mitsubishi Trust International Limited	United Kingdom	100.00
Mitsubishi Trust & Banking Corporation (U.S.A.)	United States	100.00
Mitsubishi Trust Finance (Ireland) PLC	Ireland	100.00

D. Property, Plants and Equipment

The following table presents our premises and equipment at cost as of March 31, 2001 and 2002:

	At March 31,	
	2001	2002
	(in millions yen)	
Land	¥ 215,090	¥ 200,191
Buildings	451,810	443,828
Equipment and furniture	479,659	530,380
Leasehold improvements	288,301	232,509
Construction in progress	3,329	3,294
Total	1,438,189	1,410,202
Less accumulated depreciation	748,526	728,836
Premises and equipment-net	¥ 689,663	¥ 681,366

Our head office is located at 10-1, Yurakucho 1-Chome, Chiyoda-ku, Tokyo, comprising of 2005.94 square meters of office space. At March 31, 2002, we conducted our banking operations either in our owned premises or in leased properties.

The following table presents the areas and book values of our material office and other properties at March 31, 2002:

	Area (in thousands of square feet)	Book value (in millions yen)
Owned land	11,290	200,191
Leased land	1,337	—
Owned buildings	17,853	196,643
Leased buildings	11,091	—

Our owned land and buildings are primarily used by our branches. Most of the buildings and land owned by us are free from material encumbrances, except as described below.

In March 1999, Bank of Tokyo-Mitsubishi sold a 50% undivided interest in each of its head office land and building and of its main office land and building, and at the same time, Bank of Tokyo-Mitsubishi entered into an agreement to lease back from the buyer the 50% undivided interests of the buildings sold for a period of 7 years. We accounted for these transactions as financing arrangements.

During the fiscal year ended March 31, 2002, Mitsubishi-Tokyo Financial Group invested approximately ¥0.8 billion primarily in system development and office reform; Bank of Tokyo-Mitsubishi invested approximately ¥78.1 billion primarily to increase the number of automated banking machines and to further automate back office support services; and Mitsubishi Trust Bank invested approximately ¥24.4 billion primarily to renovate its branches.

Item 5. Operating and Financial Review and Prospects.

A. Operating Results.

The following discussion and analysis should be read in conjunction with "Selected Financial Data" and our consolidated financial statements and related notes included elsewhere in this Annual Report.

Introduction

Mitsubishi Tokyo Financial Group, Inc. is a holding company that operates primarily through its subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. Through our subsidiary banks, we provide a broad range of financial services, including commercial banking, investment banking, trust banking and asset management services, to individual and corporate customers.

Formation of Mitsubishi Tokyo Financial Group

We were formed on April 2, 2001, by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank, formerly a majority owned subsidiary of Bank of Tokyo-Mitsubishi. These banks jointly established Mitsubishi Tokyo Financial Group, Inc., a bank holding company, through a stock-for-stock exchange. As a result, the three banks became our wholly owned subsidiaries. The combination of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank under a common holding company was accounted for as a pooling of interests and, accordingly, all of our historical information has been restated as if the combination had been in effect for all the periods presented. Our acquisition of the 17% minority ownership in Nippon Trust Bank on April 2, 2001 was accounted for using the purchase method.

On October 1, 2001, as part of the integration of our businesses, Nippon Trust Bank and The Tokyo Trust Bank, Ltd., which was another one of our trust subsidiaries, merged with and into Mitsubishi Trust Bank. This merger was recorded at historical cost as transfers and exchanges among entities under common control.

Planned Merger of Securities Companies

On April 8, 2002, KOKUSAI Securities Co., Ltd. (an equity method investee of Bank of Tokyo-Mitsubishi), Tokyo-Mitsubishi Securities Co., Ltd. (a subsidiary of Bank of Tokyo-Mitsubishi), Tokyo-Mitsubishi Personal Securities Co., Ltd. (a subsidiary of Bank of Tokyo-Mitsubishi), and Issei Securities Co., Ltd. (an equity method investee of Mitsubishi Trust Bank), entered into a merger agreement. Pursuant to the merger agreement, subject to regulatory approval, the four securities companies will be merged on September 1, 2002, with KOKUSAI Securities continuing as the surviving corporation under the new name of Mitsubishi Securities Co., Ltd. Following the merger, we will have a 56.76% equity interest in the new securities company. By merging the four securities companies, we aim to create a full-service securities company that will be the core of our securities business.

Recent Developments

Legal Proceedings for Local Taxes

The Tokyo Metropolitan Assembly enacted a new tax rule in March 2000. The new rule changed the basis on which the Tokyo Metropolitan Government taxes large banks doing business in Tokyo, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. The rule requires large banks to pay a 3% local tax on their gross operating income derived from their Tokyo operations for a period of five years starting April 1, 2000. In May 2000, the Osaka Prefectural Assembly passed a similar new tax rule, which requires large banks to pay a 3% local tax on their gross operating income derived from their Osaka operations for a period of five years starting April 1, 2001.

Banks subject to the newly imposed Tokyo local tax, including our subsidiary banks, filed a complaint in October 2000 with the Tokyo District Court calling for nullification of the new tax, which they claimed unfairly targets large banks. On March 26, 2002, the Tokyo District Court rejected the new tax enacted by the Tokyo Metropolitan Assembly. The court ordered the Tokyo Metropolitan Government to refund ¥72.4 billion in tax payments to 18 major banks (including ¥11.7 billion to us) and to pay an additional ¥1.8 billion in compensation (including ¥0.3 billion to us). On March 29, 2002, the Tokyo Metropolitan Government lodged an appeal at the Tokyo High Court.

After the decision of the Tokyo District Court, 16 major banks filed a lawsuit on April 4, 2002 with the Osaka District Court against the Osaka Prefectural Government, seeking to nullify the new Osaka tax rule. In response to the lawsuit, on May 30, 2002, the Osaka Prefectural Government revised its tax rule for the fiscal year ended March 31, 2002 and the fiscal years subject to the rule. Under the revised tax rule, large banks are supposed to pay the lower of the 3% local tax on their gross operating income or the local tax computed based on their net income. As a result of the revisions, our subsidiary banks, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, are not required to pay any local taxes to the Osaka Prefectural Government for the fiscal year ended March 31, 2002. Under the tax rule as revised by the Osaka Prefectural Government, the new local tax is applied for a period of five years starting April 1, 2002.

Under the new local tax rules, we incurred and paid to the Tokyo Metropolitan Government ¥18.4 billion in local taxes applicable to the fiscal year ended March 31, 2001, and ¥18.6 billion in local taxes applicable to the fiscal year ended March 31, 2002. If we were charged local taxes based on net income under the former rule, our tax expense to the Tokyo Metropolitan Government would have been ¥6.6 billion for the fiscal year ended March 31, 2001 and zero for the fiscal year ended March 31, 2002. While we accrued ¥3.1 billion in local taxes imposed by Osaka Prefectural Government in the fiscal year ended March 31, 2002, we have not paid the local taxes because of the revision of the new tax rule and we will reverse such accrual in the fiscal year ending March 31, 2003.

To date, there have been no decisions made by the Tokyo High Court and the Osaka District Court. As the legal process has not been completed, we have not recorded any gain in our consolidated financial statements. If we ultimately win the lawsuits, we expect to receive from the Tokyo Metropolitan Government the amount of the difference between the new local taxes we paid and the amount computed based on net income under the former rule, and some additional compensation. In addition, we would adjust our net deferred tax assets based on the revised effective tax rate from the current 38.0% to 42.0% as computed based on the former local tax rules. If we had made such an adjustment, the net deferred tax assets on that date would have increased by ¥112.1 billion.

Change in National Taxation System

On June 26, 2002, the Japanese Diet passed amendments to national corporate income tax laws, including the introduction of a consolidated corporate-tax system, which became effective on August 1, 2002. The consolidated corporate-tax system is to be applied to fiscal years beginning on or after April 1, 2002. The new system allows companies to base tax payments on the combined profits or losses of a parent company and its wholly owned domestic subsidiaries. A parent company may elect to pay national income taxes based on the consolidated corporate-tax system or based on the previously existing corporate-tax system, which did not permit consolidated tax reporting. Once the company elects the consolidated corporate-tax system, it is required to apply the system consistently in subsequent years. Also, if the company elects to pay national income taxes based on the consolidated corporate-tax system, it is required to pay a surcharge tax of 2% of taxable income in addition to the national corporate income tax rate based on the previously existing individual corporate-tax system of 30% until the fiscal year ending March 31, 2004. Companies that elect to pay national income taxes based on the consolidated corporate-tax system must submit their applications by September 30, 2002.

We have not decided whether we will elect to pay national income taxes based on the consolidated corporate-tax system for the fiscal year ending March 31, 2003. We will make the decision after the amended laws take effect and detailed guidelines for the computation of taxable income are released.

Limitations on Cross-shareholdings and Establishment of the Banks' Shareholdings Purchase Corporation

On November 21, 2001, the Japanese government enacted a law forbidding banks, including our Japanese subsidiary banks, from holding stocks with aggregate market values less unrealized gains in excess of their Tier I capital after September 30, 2004. Like other Japanese financial institutions, our subsidiary banks hold shares in some of our clients in order to maintain long-term relationships with these clients. In order to comply with the law, we began the process of reducing our holdings of strategic equity investments. We are also evaluating and implementing alternative strategies that facilitate the sale of our equity holdings, such as the transfer of certain holdings to an existing pooled investment fund whose securities are traded on a securities exchange (or exchange traded funds) or sales to the special-purpose corporation discussed below.

In order to moderate the impact on the stock market of sales of cross-held shares, the Banks' Shareholdings Purchase Corporation, referred to as the Purchase Corporation, was established in January 2002 and began purchasing stocks from banks on February 15, 2002. The Purchase Corporation was funded by financial institutions, including our subsidiary banks, with initial contributions of ¥10.7 billion, referred to as "preferred contributions." Our subsidiary banks made an aggregate amount of ¥2.0 billion of preferred contributions to the Purchase Corporation. The Purchase Corporation will purchase marketable equity securities from contributing institutions through September 2006, and will be dissolved when the Purchase Corporation sells all shares that it purchased from such financial institutions, or by January 2012 at the latest.

There are two accounts in the Purchase Corporation—the General Account and the Special Account. In the General Account, the Purchase Corporation purchases stocks from the selling financial institution with funds provided by that selling financial institution without guarantees by the Japanese government, and sells the stocks to exchange traded funds or otherwise into the market or sells the stocks back to the issuers. Gains or losses, if any, when the Purchase Corporation sells the stocks, are transferred to the selling financial institution, and the Purchase Corporation does not retain any gains or losses related to the stock transactions in the General Account. In the Special Account, when a financial institution sells stocks to the Purchase Corporation, it must contribute to the Purchase Corporation 8% of the selling price, referred to as "subordinated contributions". The purchase amount is funded by borrowings from various financial institutions guaranteed by the Japanese government with an aggregate limit of ¥2.0 trillion. A cumulative net loss resulting from the sale of stocks in the Special Account, if any, which is determined and finalized upon the liquidation of the Purchase Corporation, is covered first by the subordinated contributions, and then by the preferred contributions. If there is a remaining loss, the government, as a guarantor, will compensate the loss. On the other hand, if there are net assets at the time of the liquidation, the assets will be used to repay the preferred contributions first and to repay the subordinated contributions next, with any remaining assets being paid out as dividends, subject to specified upper limits, on the preferred and subordinated contributions. If there are any remaining assets, the Japanese government will receive the assets.

During the fiscal year ended March 31, 2002, we sold marketable equity securities with an aggregate market value of ¥20.6 billion to the Special Account, but we have not sold any stocks to the General Account. At March 31, 2002, we had preferred contributions of ¥2.0 billion in the General Account, subordinated contributions of ¥1.7 billion in the Special Account, and loans receivable of ¥35.6 billion from the Special Account guaranteed by the Japanese government, which we have extended to the Purchase Corporation on market terms. For a detailed discussion of the accounting treatment of our transactions with the Purchase Corporation, see ''—Transfer of Marketable Equity Securities.''

Development in Measures to Accelerate Disposal of Problem Loans

The Japanese government enacted a Revised Financial Rehabilitation Law in December 2001, which became effective January 11, 2002. This law substantially strengthened the function of the Resolution and Collection Corporation (the "RCC"), which is wholly owned by the Deposit Insurance Corporation, and enables the RCC to raise the prices at which it buys problem loans to their estimated fair values. In 1996, when the predecessor to the RCC was established, we made 15-year term loans in an aggregate principal amount of ¥407.1 billion to the predecessor of the RCC, which have been assumed by the RCC. We also have non-interest bearing deposits of ¥176.1 billion at the RCC as of March 31, 2002. Previously, the RCC purchased loans at an average of approximately 60% of the value of collateral as estimated by realty appraisers. This resulted in such low prices for the problem loans that it discouraged financial institutions, including us, from selling problem loans to the RCC. After the revision was implemented in January 2002, the purchase prices rose from an average 3.7% of loan principal amounts in the three-month period ended March 31, 2001 to 6.7% of loan principal amounts in the three-month period ended March 31, 2002. Although the revision is designed to accelerate the purchase of problem loans by the RCC, actual purchases for the three months ended March 31, 2002 amounted to ¥226.7 billion on a principal basis, approximately 40% less than the year-earlier level. The RCC set up a new section in its organization in March 2002 specializing in purchasing problem loans from healthy financial institutions and is considering raising the prices further in order to increase the amount of problem loan purchases by the RCC.

During the three-month period ended March 31, 2002, we sold problem loans with an aggregate net carrying value of ¥5.6 billion for ¥4.4 billion to the RCC, resulting in losses of ¥1.2 billion. During the three-month period ended June 30, 2002, we sold additional problem loans with an aggregate net carrying value of ¥15.9 billion for ¥16.5 billion to the RCC.

Special Inspections by the Financial Services Agency

On April 12, 2002, the Financial Services Agency (the "FSA") announced the results of special inspections of the 13 major Japanese banks, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, which had been performed from October 29, 2001 to April 11, 2002. The special inspections mainly focused on 149 financially-troubled borrowers about which the FSA had particular concerns. The aim of the special inspections was to ensure that loans to such borrowers were appropriately classified and that sufficient levels of write-offs and provisioning were recorded on a timely basis, reflecting the borrowers' business and market conditions. We recognized no significant change to our risk classifications as a result of the FSA's special inspections. Accordingly, the FSA's special inspections did not have a significant effect on our allowance calculation and the amounts of loans evaluated for impairment.

Termination of Government Protection of Bank Deposits

Exceptional governmental measures that had protected all deposit amounts through the deposit insurance system for financial institutions since 1996, expired on March 31, 2002. Under the current insurance system, each depositor in a financial institution is insured for claims of up to a maximum principal amount of ¥10 million plus interest against each financial institution in case of failure of such financial institution. However, liquid deposits, such as current accounts and ordinary deposits, continue to be fully insured until March 31, 2003.

The termination of government protection has led many depositors seeking financial stability to transfer deposits among deposit-taking institutions, such as commercial banks. In addition, within the same bank, depositors have transferred deposits from accounts that do not qualify for full protection, such as time deposits, to accounts that qualify for full protection, such as ordinary deposits. Effective April 1, 2003, all deposits (principal and interest) exceeding ¥10 million will be outside the protection. As a result, we expect further movements in deposits among banks or to other financial institutions.

From April 1, 2002, deposit insurance premiums on ordinary deposits were raised 12% from 0.084% to 0.094%, while those on time deposits were reduced 5% from 0.084% to 0.080%. In connection with the increase in deposit insurance premiums, our Japanese subsidiary banks reduced the interest rates offered to depositors on their ordinary deposits from 0.02% to 0.001% in April 2002.

Business Environment

Economic Environment in Japan

Over the last several years, the Japanese economy has faced a number of volatile and challenging economic trends and conditions, including:

- stagnant economic activity, as the Japanese gross domestic product grew 1.4% in the fiscal year ended March 31, 2000 and 1.7% in the fiscal year ended March 31, 2001, and decreased 1.3% in the fiscal year ended March 31, 2002;
- high levels of corporate bankruptcy filings, with over 20,000 cases in the fiscal year ended March 31, 2002, making it the second worst period in 17 years in terms of the number of filings, and involving ¥16,141 billion of total liabilities, marking the second worst year in the postwar period;
- a very low interest rate environment, with the Bank of Japan maintaining a policy of near zero interest rates before August 2000 and again after March 2001;

- declining real estate values, with government-appraised land prices declining an average of 5.2% for residential areas and 8.3% for commercial areas in calendar 2001, which represents the eleventh straight year of decline;
- declining but volatile equity markets, with the Nikkei Stock Average, which is an average of 225 stocks listed on the Tokyo Stock Exchange, declining 15.2% from 12,999.70 at March 30, 2001 to 11,024.94 at March 29, 2002, after having dropped to 9,420.85 on February 6, 2002. This followed the Nikkei Stock Average's 36.1% decline from 20,337.32 at March 31, 2000 to the March 30, 2001 level. Subsequent to March 31, 2002, the Nikkei Stock Average has further declined and finished at 9,877.94 on July 31, 2002; and
- significant exchange rate movements, as the value of the yen against the US dollar fluctuated from a high of ¥115.89 to a low of ¥134.77 in the fiscal year ended March 31, 2002, from a high of ¥104.19 to a low of ¥125.54 in the fiscal year ended March 31, 2001, and from a high of ¥101.53 to a low of ¥124.45 in the fiscal year ended March 31, 2000.

Our results of operations and financial condition were also materially affected over the last three years by high levels of credit losses and a substantial increase in impaired loans as a result of the continuing weak economy, unprecedented levels of corporate bankruptcy filings, and impaired collateral values resulting from a continuing decline in real estate and equity values.

International Financial Markets

The weakness in international financial markets worsened during the fiscal year ended March 31, 2002, reflecting a global economic downturn, particularly in the United States. The terrorist attack on September 11, 2001, corporate financial scandals that occurred in the United States and several large bankruptcies in the United States have severely affected the world economy. We have been affected by the severe economic turmoil in Argentina.

In the financial markets immediately after the terrorist attack on September 11, 2001, stock prices declined significantly around the world. In Japan, the Nikkei Stock Average at one point dropped below ¥10,000 for the first time in 17 years, and the value of the yen against US dollar rose to around ¥115 in the face of intensifying dollar-selling pressures. Although there has been a slight recovery, the financial markets remain volatile. Japan, the United States and Europe eased their monetary policies, while the Japanese government and the Bank of Japan intermittently intervened in the foreign currency market to support the US dollar. As a result, the Nikkei Stock Average recovered to above 10,000, while the value of the yen against US dollar depreciated to around ¥120. Although the financial markets were affected by the September 11 terrorist attack, our operations and revenue were not significantly affected.

During the fiscal year ended March 31, 2002, the U.S. Federal Reserve cut interest rates 8 times for a total of 325 basis points on the federal funds and the discount rate, bringing the federal fund rate to 1.75% and the discount rate to 1.25% at March 31, 2002. Despite the U.S. Federal Reserve's interest rate cuts, U.S. equity indices continued to be affected by the slowdown in U.S. economy and reduced corporate earnings although the Nasdaq Composite Index and the Dow Jones Industrial Average slightly increased in the fiscal year ended March 31, 2002. Subsequent to March 31, 2002, the U.S. equity indices have significantly declined primarily because of recent accounting scandals, including one of the largest accounting frauds in history at U.S. telecom giant WorldCom Inc. The Nasdaq Composite Index declined 28.0% from 1,845.35 on March 29, 2002 to 1,328.26 on July 31, 2002, and the Dow Jones Industrial Average declined 16.0% from 10,403.94 on March 29, 2002 to 8,736.59 on July 31, 2002.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States, referred to as "U.S. GAAP." Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects. The notes to our consolidated financial statements provide a summary of our significant accounting policies. The following is a summary of the critical accounting policies.

Impairment of Marketable Equity Securities

Under U.S. GAAP, we are required to recognize an impairment loss for a decline in fair value of available-for-sale marketable equity securities that is other than temporary. Determinations of whether the decline is other than temporary often involve estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss should be recognized at any balance sheet date. These judgments are based on subjective as well as objective factors.

The Japanese stock market has experienced a significant downturn and volatility during recent years. In view of the diversity and volume of our shareholdings, the declining but volatile equity markets make it difficult to determine whether the declines are other than temporary.

In addition to a significant decline in fair value below cost, we determine whether or not the decline is attributable to adverse conditions, and conditions specifically related to an industry or deterioration of the issuers. In particular, we consider the financial condition of issuers in industries severely and adversely affected by the current economic slump in Japan, such as real estate, construction and retail industries. We also consider whether issuers are borrowers to whom loans are classified under our risk gradings.

As mentioned in "—Recent Developments" above, we are required to sell down our strategic equity investments in the next few years under new legislation. Accordingly, in determing whether a decline in fair value is other than temporary, we also carefully consider the period for which we will hold the securities in view of any anticipated recovery.

After considering the factors mentioned above, we write down individual equity securities to fair value when we determine that a decline in fair value below the cost of securities is other than temporary.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of probable losses in the portfolio. The evaluation process involves a number of estimates and judgments. The allowance is based on two principles of accounting: (1) Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," which requires that losses be accrued when they are probable of occurring and quantitatively estimable; and (2) SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures," which require that losses be accrued based on the difference between the loan balance and the present value of future cash flows or values that are observable in the secondary market.

Our allowance for credit losses consists of the allocated allowance and the unallocated allowance. The allocated allowance comprises (1) the allowance for specifically identified problem loans, (2) the allowance for large groups of smaller-balance homogeneous loans, (3) the allowance for loans exposed to specific country risk, and (4) the formula allowance. Each of these components is determined based upon estimates that can change at any time and do change before or when the actual events occur. The allowance for specifically identified problem loans, which represents large-balance, non-homogeneous loans that have been individually determined to be impaired, employs various techniques to arrive at an estimate of loss. We use historical loss information, discounted cash flows, fair value of collateral and secondary market information to estimate probable losses. We evaluate large groups of smaller-balance homogeneous loans collectively for impairment, and establish the allowance for such loans through a process that begins with estimates of probable losses inherent in the portfolio, based upon various analyses, including historical delinquency and credit loss experience. The allowance for loans exposed to specific country risk is based on an estimate of probable losses relating to our exposure to countries that we identify as having a high degree of transfer risk. We use a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, we consider the instability of foreign currency and difficulties regarding our borrower's ability to service their debt. The formula allowance employs a modelling technique adopting historical losses as an indicator of future losses and as a result could differ from the loss incurred in the future. However, since this history is updated with the most recent loss information, the differences that might otherwise occur are mitigated to some extent. The use of these values, particularly estimated future cash flows and collateral values for illiquid assets, is inherently subjective and our actual losses could be greater or less than the estimates. The unallocated allowance captures losses that are attributable to various economic events, industry or geographic sectors whose impact on the portfolio have occurred but have yet to be recognized in the allocated allowance. For further information regarding our allowance for credit losses, see "—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans."

Valuation Allowance for Deferred Tax Assets

A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be recognized. All available evidence, both positive and negative, must be considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of an existing deductible temporary difference or carryforward ultimately depends on the existence of sufficient taxable income within the loss carryforward period of 5 years under the Japanese tax law.

In determining a valuation allowance, we perform a review of future taxable income, exclusive of reversing temporary differences and carryforwards, and future reversals of existing taxable temporary differences. Due to losses in recent years and continuing weak economic conditions, the determination of the valuation allowance involves difficult judgment to estimate future taxable income.

Establishment of the valuation allowance is an inherently uncertain process involving estimates. As a result, our currently established allowance may not be sufficient. If our estimated allowance is not sufficient, we will incur additional deferred tax expense, which could be material to our operating results in future periods.

Valuation of Financial Instruments with No Available Market Prices

Certain assets and liabilities, including available-for-sale securities, trading accounts and derivatives, are reflected at their estimated fair values in the financial statements. For financial instruments with no available market prices, we determine fair values for the substantial majority of our portfolios based upon externally verifiable model inputs and quoted prices, such as exchange-traded prices and broker-dealer quotations of other comparable instruments, and use market interest rates in determining discount factors. All financial models, which are used for independent risk monitoring in addition to pricing each financial instrument, must be validated and periodically reviewed by qualified personnel independent of the division that created the model. The fair value of derivatives is determined based upon liquid market prices evidenced by exchange-traded prices, broker-dealer quotations or prices of other transactions with similarly rated counterparties. If available, quoted market prices provide the best indication of fair value. If quoted market prices are not available for fixed maturity securities and derivatives, we discount expected cash flows using market interest rates commensurate with the credit quality and maturity of the investment. Alternatively, we may use matrix or model pricing to determine an appropriate fair value (for example, option pricing models). In determining fair values, we consider various factors, including time value, volatility factors, and the values of underlying options, warrants and derivatives.

Recently Issued Accounting Pronouncements

On April 1, 2002, we adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, changed the accounting treatment of derivative contracts which are used for hedging purposes, and certain derivative instruments embedded in other contracts. This statement requires all derivatives to be recorded on the balance sheet at their fair value. The accounting for changes in the fair value of derivatives depends on the character of the transaction, including whether it has been designated and qualifies as part of hedging relationship. The cumulative effect of adopting SFAS No. 133 at April 1, 2001 was an after-tax gain of ¥5.9 billion included in net loss and an increase of ¥1.3 billion included in other changes in shareholders’ equity from nonowner sources.

Effective July 1, 2001, we adopted the provisions of SFAS No. 141, “Business Combination,” and certain provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” as required for goodwill and intangible assets resulting from business combinations consummated after June 30, 2001. These statements require that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. The nonamortization provisions of the new rules affecting goodwill and intangible assets deemed to have indefinite lives are effective for all purchase business combinations completed after June 30, 2001. Based on the amortization expense recorded in the year ended March 31, 2002, we estimate that the elimination of goodwill amortization expense will increase net income by approximately ¥8 billion per annum subject to the impairment test. SFAS No. 142 became effective for us on April 1, 2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 142 requires that goodwill be recorded at the reporting unit level for the impairment test. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. At March 31, 2002, we had unamortized goodwill of ¥41.4 billion. We have not completed the study of assessment of goodwill and cannot reasonably estimate the impact of the impairment loss, if any, as a result of the adoption of SFAS No. 142.

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets by establishing additional criteria as compared to existing U.S. GAAP to determine when a long-lived asset is held for sale. It also broadens the definition of discontinued operations. We do not expect the adoption of SFAS No. 144 to have a material impact on our results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30 for classification as an extraordinary item shall be reclassified. The provisions of SFAS 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of SFAS No. 145 are effective for financial statements issued on or after May 15, 2002. We do not expect the adoption of SFAS No. 145 to have a material impact on our results of operations or financial position.

Results of Operations

The following table sets forth a summary of our results of operations for the fiscal years ended March 31, 2000, 2001 and 2002:

	Year ended March 31,		
	2000	2001	2002
		(in billions)	
Interest income	¥2,165.6	¥2,283.0	¥2,017.0
Interest expense	1,086.1	1,310.6	939.1
Net interest income	1,079.5	972.4	1,077.9
Provision for credit losses	372.4	797.1	601.7
Non-interest income	519.9	955.8	700.8
Non-interest expense	1,224.3	1,127.5	1,501.2
Income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle	2.7	3.6	(324.2)
Income tax expense (benefit)	50.2	62.8	(101.8)
Loss before cumulative effect of a change in accounting principle	(47.5)	(59.2)	(222.4)
Cumulative effect of a change in accounting principle, net of tax	—	—	5.9
Net loss	¥ (47.5)	¥ (59.2)	¥ (216.5)

We recorded a ¥216.5 billion net loss, or ¥39,733.32 per share, for the fiscal year ended March 31, 2002, compared to a ¥59.2 billion net loss, or ¥12,274.55 per share, in the fiscal year ended March 31, 2001. Over the last three fiscal years, our results of operations have been materially affected by high levels of credit losses and a substantial increase in impaired loans as a result of the continuing weak economy, unprecedented levels of corporate bankruptcy filings, impaired collateral values resulting from the protracted decline in real estate values, and, as a result of the continuing declines in prices of marketable equity securities, significant write-downs of the securities.

Net Interest Income

Net interest income is a function of:

- the amount of interest-earning assets;
- the so-called “spread,” or the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities;
- the general level of interest rates; and
- the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Interest-earning assets are generally less sensitive to interest rate changes than interest-bearing liabilities, primarily due to the difference in the average maturities of our domestic interest-bearing liabilities and our domestic interest-earning assets. The domestic interest-bearing liabilities have a shorter average maturity than the domestic interest-earning assets, and therefore such liabilities mature and are replaced more rapidly than such assets. As a result, in the absence of contrary hedging transactions, in general net interest income tends to increase when interest rates are declining and decrease when interest rates are rising. A stable but extremely low interest rate environment, such as the current environment in Japan, makes it difficult for us to obtain a sufficient spread to improve profitability and risk-return profile. If interest rates increase, in the short term net interest income is likely to decrease. However, if interest rates remain stable at a higher rate, we may be able to improve our spread and thereby increase net interest income.

The Bank of Japan has maintained a near zero interest rate policy since March 2001 and cut 15 basis points from the official discount rate, to 0.10%, in September 2001. As a consequence of the policy of near zero interest rates, interest rates on ordinary deposits stayed at 0.02% per annum and the short-term prime lending rate, which serves as the benchmark for loans of less than one year, remained at 1.375% per annum during the fiscal year ended March 31, 2002. In connection with the end of full government protection on bank deposits, Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank lowered their interest rates on ordinary deposits from 0.02% to 0.001%, a record low, effective April 2002.

The following is a summary of the interest rate spread in the fiscal years ended March 31, 2000, 2001 and 2002:

	Year ended March 31,					
	2000		2001		2002	
	Average balance	Average Rate	Average balance	Average Rate	Average balance	Average Rate
	(in billions, except percentages)					
Interest-earning assets:						
Domestic	¥62,351.8	1.55%	¥61,175.9	1.50%	¥59,823.9	1.37%
Foreign	20,814.2	5.76	22,220.5	6.16	25,368.5	4.73
Total	¥83,166.0	2.60%	¥83,396.4	2.74%	¥85,192.4	2.37%
Financed by:						
Interest-bearing funds:						
Domestic	¥57,660.8	0.72%	¥58,048.5	0.83%	¥61,150.4	0.53%
Foreign	16,905.4	3.95	17,701.3	4.69	17,599.3	3.50
Total	74,566.2	1.46	75,749.8	1.73	¥78,749.7	1.19
Non-interest-bearing funds	8,599.8	—	7,646.6	—	6,442.7	—
Total	¥83,166.0	1.30%	¥83,396.4	1.57%	¥85,192.4	1.10%
Spread on:						
Interest-bearing funds		1.14%		1.01%		1.18%
Total funds		1.30%		1.17%		1.27%

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

Net interest income in the fiscal year ended March 31, 2002 was ¥1,077.9 billion, an increase of ¥105.5 billion, or 10.9%, from ¥972.4 billion in the fiscal year ended March 31, 2001. Although interest income and interest expenses both decreased during the fiscal year ended March 31, 2002 due to the declining interest rate environment in Japan and overseas, an increase in average foreign interest-earning assets (not matched by an increase in foreign interest-bearing funds) contributed to the increase in net interest income. Average foreign interest-earning assets increased ¥3,148.0 billion, or 14.2%, to ¥25,368.5 billion in the fiscal year ended March 31, 2002 while average domestic interest-earning assets decreased ¥1,352.0 billion, or 2.2%, to ¥59,823.9 billion in the fiscal year ended March 31, 2002. The increase in average foreign interest-earning assets in the fiscal year ended March 31, 2002 primarily reflected an increase in average foreign investment securities of ¥1,704.1 billion and an increase in average foreign loans of ¥1,466.8 billion, which were primarily funded by an increase in domestic deposits. We often use foreign currency swaps in order to effectively hedge foreign currency exposures associated with foreign currency investments funded by yen-denominated liabilities. The average domestic deposits increased ¥3,628.6 billion to ¥44,807.0 billion in the fiscal year ended March 31, 2002. The increase in interest income due to the increase in average interest-earning assets more than offset the increase in interest expense due to the increase in average interest-bearing liabilities.

Net interest income as a percentage of average total interest-earning assets increased 10 basis points from 1.17% in the fiscal year ended March 31, 2001 to 1.27% in the fiscal year ended March 31, 2002. The average interest rate spread increased 17 basis points from 1.01% in the fiscal year ended March 31, 2001 to 1.18% in the fiscal year ended March 31, 2002. Although the total interest rate spread increased in the fiscal year ended March 31, 2002, this increase did not materially contribute to the increase in total net interest income. The average interest rate spread between foreign interest-earning assets and foreign interest-bearing liabilities in the fiscal year ended March 31, 2002 decreased 24 basis points while the average interest rate spread between domestic interest-earning assets and domestic interest-bearing liabilities increased 17 basis points. The decrease in average foreign interest rate spread is primarily due to a decline in average interest rates on foreign currency denominated assets, principally investment securities and loans, under the declining interest environment in the United States and other foreign countries. The increase in average domestic interest rate spread is primarily due to the decrease in average interest rates on deposits, resulting from customers shifting funds from time deposits to demand deposits bearing record low interest in anticipation of the upcoming termination of protection of deposit in Japan. The decrease in net interest income due to the decreased average interest rate spread on foreign activities, more than offset the increase in net interest income due to the increased spread on domestic activities.

Net interest income in the fiscal year ended March 31, 2002 included a net gain of approximately ¥7.6 billion resulting from derivative financial instruments used for hedging purposes while net interest income in the fiscal year ended March 31, 2001 included such gain of ¥1.6 billion. These net gains increased our net interest margin 0.3 basis points in the fiscal year ended March 31, 2001 and 0.9 basis points in the fiscal year ended March 31, 2002.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

Net interest income in the fiscal year ended March 31, 2001 was ¥972.4 billion, a decrease of ¥107.1 billion, or 9.9%, from ¥1,079.5 billion in the fiscal year ended March 31, 2000. The decrease in net interest income was primarily attributable to a decline in spread. Net interest income as a percentage of average total interest-earning assets decreased 13 basis points from 1.30% in the fiscal year ended March 31, 2000 to 1.17% in the fiscal year ended March 31, 2001. The decline in spread in the fiscal year ended March 31, 2001 reflected the rising interest rate environment in Japan in the second half of the fiscal year ended March 31, 2001 and the intensifying competition among lenders for retail customers under the weak economic conditions in Japan. In addition, reflecting the rising interest rate environment in the first half of the fiscal year ended March 31, 2001 in the United States and elsewhere, the average interest rate on foreign interest-earning assets increased to 6.16% and foreign interest-bearing funds increased to 4.69%, while the spread declined 13 basis points in the fiscal year ended March 31, 2001 compared to the previous year.

See "—Selected Statistical Data—I—Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential—Average Balance Sheets, Interest and Average Rates" for more detailed analysis of interest rate spread.

Provision for Credit Losses

Provision for credit losses is charged to operating income to maintain the allowance for credit losses at a level deemed appropriate by management. See "—Financial Condition—Allowance for Credit Losses, Nonperforming and Past Due Loans" and "—Risk Management" for a description of the approach and methodology used to establish the allowance for credit losses.

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

The provision for credit losses in the fiscal year ended March 31, 2002 was ¥601.7 billion, representing a decrease of ¥195.4 billion, or 24.5%, from ¥797.1 billion in the fiscal year ended March 31, 2001. The decrease in provision for credit losses in the fiscal year ended March 31, 2002 was primarily attributable to a decrease of ¥156.6 billion in impaired loans. The provision for credit losses, while high in the fiscal year ended March 31, 2002, declined from the prior year's level. In the fiscal year ended March 31, 2001, provisions for credit losses were high primarily because of a significant increase in impaired loans, in particular restructured loans, as compared with the previous year.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

The provision for credit losses in the fiscal year ended March 31, 2001 was ¥797.1 billion, representing an increase of ¥424.7 billion, or 114.0%, from ¥372.4 billion in the fiscal year ended March 31, 2000. The increase in provision for credit losses in the fiscal year ended March 31, 2001 was primarily attributable to an increase of ¥1,425.6 billion in impaired loans. Specifically, an increase of ¥274.4 billion was determined necessary as the allocated allowance for specifically identified problem loans. This increase was partially offset by a decrease of ¥84.6 billion in the formula allowance for substandard, special mention and unclassified loans. In addition, during the fiscal year ended March 31, 2001, Bank of Tokyo-Mitsubishi refined its methodology for estimating credit losses. Under the revised methodology, credit exposures, default and recovery ratios are three essential factors considered in establishing the formula allowance. The revision to Bank of Tokyo-Mitsubishi's methodology resulted in an increase of ¥17.6 billion in provision for credit losses for the fiscal year ended March 31, 2001, accounting for 4.1% of total increase in provision for credit losses.

Non-Interest Income

The following table is a summary of our non-interest income in the fiscal years ended March 31, 2000, 2001 and 2002:

	Year ended March 31,		
	2000	2001	2002
		(in billions)	
Fees and commissions:			
Trust fees	¥106.2	¥114.6	¥123.6
Fees on funds transfer service charges for collection	60.7	60.0	60.9
Commission and fees on international business	37.1	51.3	53.5
Fees and commissions on credit card business	0.4	47.9	51.0
Service charges on deposits	19.7	22.7	29.8
Other fees and commissions	145.1	162.9	173.1
Total Fees and Commissions	369.2	459.4	491.9
Trading account profits—net	—	229.5	138.5
Foreign exchange gains—net	32.6	—	—
Investment securities gains—net	79.8	232.5	20.6
Other	38.3	34.4	49.7
Total non-interest income	¥519.9	¥955.8	¥700.7

Non-interest income includes, in addition to fees and commissions and other non-interest income, net trading account profits, net foreign exchange gains and net investment securities gains. If we have net losses in any of those categories for a particular period, those net losses would not be reflected in non-interest income but would be included in the non-interest expense category.

Net trading account profits or losses primarily include net gains or losses on trading securities and interest rate derivative instruments held for trading purposes. Derivative instruments for trading purposes also include those used as economic hedges of net exposures rather than specifically identified assets or liabilities, which do not meet the specific criteria for hedge accounting. Trading account assets and liabilities are carried at fair value, and changes in the value of trading account assets and liabilities, except foreign exchange derivatives, are recorded in net trading account profits or losses.

Net foreign exchange gains or losses include net gains or losses on foreign exchange derivative instruments held for trading purpose, and transaction gains or losses on the translation into Japanese yen of foreign denominated assets and liabilities, including long-term debts denominated in foreign currencies.

Net investment securities gains or losses include net gains or losses on sales of marketable securities, particularly marketable equity securities. In addition, impairment losses are recognized as part of net investment securities gains or losses when our management concludes that declines in fair value for certain marketable securities are other than temporary. We have recognized high levels of impairment losses in recent years as fair values continued to decline in weak equity markets in Japan.

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

Non-interest income in the fiscal year ended March 31, 2002 was ¥700.7 billion, a decrease of ¥255.1 billion, or 26.7%, from ¥955.8 billion in the fiscal year ended March 31, 2001. The decrease in non-interest income was primarily attributable to a decrease in net trading account profits of ¥91.0 billion and a decrease in net investment securities gains of ¥211.9 billion. These decreases were partially offset by an increase in fees and commissions of ¥32.5 billion.

Fees and commissions in the fiscal year ended March 31, 2002 were ¥491.9 billion, an increase of ¥32.5 or 7.1%, from ¥459.4 billion in the fiscal year ended March 31, 2001. The increase in fees and commissions was due primarily to an increase of ¥9.0 billion in trust fees and an increase of ¥10.2 billion in other fees and commissions. Other fees and commissions primarily include fees on issuing guaranties, fees on underwriting business, and commissions on custodial services. These fees and commissions have increased in recent years partially because of strengthened investment banking and asset management businesses. Also, the yen depreciation against US dollar and other foreign currencies increased the level of fees and commissions received by overseas subsidiaries and branches. In terms of the average exchange rate, the yen depreciated approximately 13% against US dollar for the fiscal year ended March 31, 2002 and for calendar 2001 compared with the previous corresponding year.

Trading account profits-net decreased ¥91.0 billion, or 39.7%, to ¥138.5 billion in the fiscal year ended March 31, 2002. The net trading account profits for the fiscal years ended March 31, 2001 and 2002 consisted of the following:

	Year ended March 31,	
	2001	2002
	(in billions)	
Net profits on derivative instruments, primarily interest rate futures, swaps and options	¥199.5	¥149.3
Net profits (losses) on trading securities	30.0	(10.8)
Total net profits	¥229.5	¥138.5

The decrease in net profits on derivative instruments was due primarily to a decrease in gains on foreign currency interest rate swaps principally used for risk management purposes, partially offset by an increase in gains on foreign currency interest rate futures. As our foreign currency-denominated interest rate swap portfolio was in a net receive-variable and pay-fix position, our portfolio lost value under the declining interest rates for debt denominated in US dollar and other foreign currencies in the fiscal year ended March 31, 2002. The loss was partially offset by a gain from long positions of foreign currency-denominated interest rate futures in our trading activities. As these derivatives used to manage interest rate exposures do not meet the specified criteria for hedge accounting, we accounted for such derivatives as trading instruments. The net losses on trading securities for the fiscal year ended March 31, 2002 as compared with the net profits for the previous fiscal year were due primarily to unfavorable financial markets in which interest rates were stable but low.

Net investment securities gains in the fiscal year ended March 31, 2002 were ¥20.6 billion, representing a decrease of ¥211.9 billion, or 91.1%, from net gains of ¥232.5 billion in the fiscal year ended March 31, 2001. Major components of net investment securities gains in the fiscal year ended March 31, 2001 and 2002 are summarized below:

	Year ended March 31,	
	2001	2002
	(in billions)	
Net gains on sales of marketable equity securities	¥ 440.7	¥ 277.2
Impairment losses on marketable equity securities	(262.0)	(281.0)
Other—net	53.8	24.4
Net investment securities gains	¥ 232.5	¥ 20.6

The Japanese stock markets have experienced a significant downturn in recent years. The Nikkei Stock Average declined 15.2% from 12,999.70 at March 30, 2001 to 11,024.94 at March 29, 2002, and the Tokyo Stock Price Index, or TOPIX, which is a composite index of all stocks listed on the First Section of Tokyo Stock Exchange, declined 17.0% from 1,277.27 at March 30, 2001 to 1,060.19 at March 29, 2002.

The decrease in net gains on sale of marketable equity securities in the fiscal year ended March 31, 2002 was due primarily to declining market prices and an increase in losses on sales of equity securities with relatively high cost bases. Net investment securities gains included gross realized losses on sales of available-for-sale securities of ¥107.6 billion in the fiscal year ended March 31, 2001 and ¥172.4 billion in the fiscal year ended March 31, 2002. In the fiscal year ended March 31, 2001, we selectively sold equity securities with relatively low cost bases. In the fiscal year ended March 31, 2002, new legislation was enacted that requires banks, including us and our subsidiary banks, to reduce their stock holdings to levels not exceeding their Tier I capital by September 30, 2004. To comply with this new law, we and our subsidiary banks have to reduce our strategic shareholdings and may have to sell shares even where losses would be realized on the sales or under conditions that are unfavorable to us.

The increase in impairment losses on marketable equity securities in the fiscal year ended March 31, 2002 primarily reflected the continuing decline in stock prices mentioned above.

Other net gains for the fiscal years ended March 31, 2001 and 2002 primarily reflected net gains on our sales of bonds, principally Japanese government bonds and bonds issued by foreign governments. The net gains on sales of domestic bonds in the fiscal year ended March 31, 2002 decreased under a stable but low interest rate environment, while the net gains on sales of foreign bonds in the fiscal year ended March 31, 2002 increased under a declining interest rate environment.

Other non-interest income includes lease income under operating lease agreements, income on interbank refinancing and other sundry income. Other non-interest income in the fiscal year ended March 31, 2002 increased ¥15.3 billion, or 44.8%, to ¥49.7 billion in the fiscal year ended March 31, 2002. The increase primarily reflected an increase in sundry income of overseas operations such as lease income due primarily to the depreciation of the yen against the US dollar and other foreign currencies, and sundry income of domestic subsidiaries.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

Non-interest income in the fiscal year ended March 31, 2001 was ¥955.8 billion, an increase of ¥435.9 billion, or 83.9%, from ¥519.9 billion in the fiscal year ended March 31, 2000. The increase in non-interest income was attributable primarily to a net trading account profit of ¥229.5 billion in the fiscal year ended March 31, 2001 compared to a net trading account loss of ¥143.1 billion in the fiscal year ended March 31, 2000, an increase in net investment securities gains of ¥152.7 billion and an increase in fees and commissions of ¥90.2 billion. These increases were partially offset by net foreign exchange losses of ¥104.6 billion being reported in non-interest expense compared to foreign exchange net gains of ¥32.6 billion for the fiscal year ended March 31, 2000.

The increase in fees and commissions in the fiscal year ended March 31, 2001 was due primarily to inclusion of the results of DC Card Co., Ltd., which was newly consolidated at the end of the fiscal year ended March 31, 2000, contributing significantly to the ¥47.5 billion increase in fees and commissions generated by our credit card business, fees on issuing guarantees, fees on underwriting business, service charges on deposits of overseas offices, and commissions on custodial services.

Trading activities improved from net trading account losses of ¥143.1 billion in the fiscal year ended March 31, 2000 to net trading account profits of ¥229.5 billion in the fiscal year ended March 31, 2001.

Net trading account profits (losses) for the fiscal years ended March 31, 2000 and 2001 consisted of the following:

	Year ended March 31,	
	2000	2001
	(in billions)	
Net profits (losses) on derivative instruments, primarily interest-rate futures, swaps and options	¥(125.7)	¥199.5
Net profits (losses) on trading securities	(17.4)	30.0
Total net profits (losses)	¥(143.1)	¥229.5

The net trading account profits for the fiscal year ended March 31, 2001 included ¥199.5 billion net profits on interest rate and other derivatives, primarily reflecting market conditions favorable to our interest rate derivative positions in a declining interest rate environment in yen and US dollars, and trading securities net profits of ¥30.0 billion.

Net investment securities gains in the fiscal year ended March 31, 2001 increased ¥152.7 billion from ¥79.8 billion in the fiscal year ended March 31, 2000 to ¥232.5 billion. Major components of net investment securities gains in the fiscal years ended March 31, 2000 and 2001 are summarized below:

	Year ended March 31,	
	2000	2001
	(in billions)	
Net gains on sales of marketable equity securities	¥ 304.3	¥ 440.7
Impairment losses on marketable equity securities	(184.0)	(262.0)
Other—net	(40.5)	53.8
Net investment securities gains	¥ 79.8	¥ 232.5

The increase in net investment securities gains in the fiscal year ended March 31, 2001 was due primarily to an increase in net gains of ¥136.4 billion on sales of marketable equity securities as we reduced our strategic shareholdings, and in net gains of ¥97.9 billion on our sales of Japanese government bonds and bonds issued by foreign governments and other issuers. These increases were partially offset by an increase of ¥78.0 billion in impairment losses of marketable equity securities.

Non-Interest Expense

The following table shows a summary of non-interest expense in the fiscal years ended March 31, 2000, 2001 and 2002:

	Year ended March 31,		
	2000	2001	2002
		(in billions)	
Salaries and employee benefits	¥ 429.4	¥ 403.7	¥ 456.6
Occupancy expenses—net	130.1	137.4	134.8
Trading accounts losses—net	143.1	—	—
Foreign exchange losses—net	—	104.6	333.0
Losses on other real estate owned	70.2	16.4	6.2
Goodwill amortization	2.8	4.4	7.9
Other	448.7	461.0	562.7
Total non-interest expense	¥1,224.3	¥1,127.5	¥1,501.2

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

Non-interest expense in the fiscal year ended March 31, 2002 was ¥1,501.2 billion, an increase of ¥373.7 billion, or 33.1%, from ¥1,127.5 billion in the fiscal year ended March 31, 2001. The increase primarily reflected an increase in salaries and employee benefits of ¥52.9 billion, an increase in net foreign exchange losses of ¥228.4 billion, and an increase in other non-interest expenses of ¥101.7 billion.

Salaries and employee benefits in the fiscal year ended March 31, 2002 were ¥456.6 billion, an increase of ¥52.9 billion, or 13.1%, from ¥403.7 billion in the fiscal year ended March 31, 2001. The increase in salaries and employee benefits primarily reflected an increase in net periodic pension costs, as well as an increase in amounts paid to employees outside Japan, whose salaries and other benefits denominated in currencies other than yen increased due to the depreciation of the yen against the US dollar and other foreign currencies. The increase in net periodic pension costs was due primarily to an increase in amortization of net actuarial loss and a decrease in expected return on plan assets. In accordance with SFAS No. 87, "Employers' Accounting for Pensions," the minimum amortization of actuarial loss was included as a component of net periodic pension cost in the fiscal year ended March 31, 2002 as the unrecognized net actuarial loss exceeded 10% of the projected benefit obligation. The decrease in expected return on plan assets for the plans of Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and certain domestic subsidiaries resulted from a decrease in expected rate of return on plan assets from 4.79% in the fiscal year ended March 31, 2001 to 4.45% in the fiscal year ended March 31, 2002. Plan assets, which include pension trust funds managed by certain life insurance companies, investment advisory companies and trust banks, consisted of interest-earning deposits at banks, Japanese government bonds, other debt securities and marketable equity securities issued by domestic and foreign entities. Pension assets managed by insurance companies are included in pooled investment portfolios. Expected rates of return on plan assets are reviewed annually and computed primarily based on the historical average of long-term returns on such assets to avoid a significant fluctuation caused by short-term market volatility. The continuously depressed Japanese economy has an influence on domestic equity and debt securities markets. As a result, with respect to the domestic subsidiaries' plans, the actual return on the plan assets was negative by ¥53.1 billion in the fiscal year ended March 31, 2001 and negative by ¥48.7 billion in the fiscal year ended March 31, 2002. These increases were partially offset by a decrease in salary expense resulting from a reduction in the number of employees.

Net occupancy expenses in the fiscal year ended March 31, 2002 were ¥134.8 billion, a decrease of ¥2.6 billion, or 1.9%, from ¥137.4 billion in the fiscal year ended March 31, 2001. The decrease was due primarily to the closing and consolidation of offices, which was partially offset by an increase in overseas occupancy expenses resulting from the depreciation of the yen against the US dollar and other foreign currencies.

Net foreign exchange losses in the fiscal year ended March 31, 2002 were ¥333.0 billion, an increase of ¥228.4 billion from ¥104.6 billion in the fiscal year ended March 31, 2001. Major components of net foreign exchange gains or losses in the fiscal years ended March 31, 2001 and 2002 are summarized below:

	Year ended March 31,	
	2001	2002
	(in billions)	
Losses on translation of foreign currency long-term debt	¥ (35.9)	¥ (18.7)
Net losses on foreign exchange contracts entered into for trading purposes	(156.1)	(78.0)
Other—net	87.4	(236.3)
Total foreign exchange losses—net	¥(104.6)	¥(333.0)

Losses on translation of foreign currency long-term debt in the fiscal year ended March 31, 2002 reflected the depreciation of the yen against the US dollar and other foreign currencies. We had net losses on foreign exchange contracts entered into for trading purposes in the fiscal years ended March 31, 2002 under the unfavorable foreign exchange markets. Other foreign exchange net losses, included in "Other—net," in the fiscal year ended March 31, 2002 partially reflected the fact that foreign-currency-denominated liabilities used to hedge the foreign currency exposure of available-for-sale debt securities had no longer qualified as hedging instruments under SFAS No. 133 since April 1, 2001 and, therefore, the transaction losses on such liabilities were recognized in earnings in the fiscal year ended March 31, 2002.

Losses on other real estate owned in the fiscal year ended March 31, 2002 were ¥6.2 billion, a decrease of ¥10.2 billion, or 62.2%, from ¥16.4 billion in the fiscal year ended March 31, 2001. Losses on other real estate owned include valuation losses, operating expenses and net losses on sales of real estate. Losses on other real estate owned in recent years resulted mainly from the continuing decline in real estate values in Japan, evidenced by average declines in government-appraised land prices of 5.2% for residential areas and 8.3% for commercial areas in calendar 2001. However, losses on other real estate owned decreased in the fiscal year ended March 31, 2002 as we reduced our other real estate owned from ¥33.9 billion at March 31, 2001 to ¥11.7 billion at March 31, 2002 through asset sales to third parties.

Goodwill amortization in the fiscal year ended March 31, 2002 was ¥7.9 billion, an increase of ¥3.5 billion, or 79.5%, from ¥4.4 billion in the fiscal year ended March 31, 2001. The increase was primarily due to amortization of goodwill related to the acquisition of the 17% minority ownership in Nippon Trust Bank on April 2, 2002.

Other non-interest expenses in the fiscal year ended March 31, 2002 were ¥562.7 billion, an increase of ¥101.7 billion, or 22.1%, from ¥461.0 billion in the fiscal year ended March 31, 2001. The increase in other non-interest expenses was primarily due to an increase of ¥36.2 billion in provision for credit losses on off-balance sheet instruments, an increase of ¥14.6 billion in overseas operating expenses, and an increase in fees paid to outside servicers. The increase in overseas operating expenses primarily reflected the depreciation of the yen against the US dollar and other foreign currencies and an increase in advertising and other operating expenses of UnionBanCal Corporation.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

Non-interest expense in the fiscal year ended March 31, 2001 was ¥1,127.5 billion, a decrease of ¥96.8 billion, or 7.9%, from ¥1,224.3 billion in the fiscal year ended March 31, 2000. The decrease primarily reflected a decrease in losses on other real estate owned of ¥53.8 billion, and net trading account profits being recorded as non-interest income in the fiscal year ended March 31, 2001 compared to net trading account losses of ¥143.1 billion being reported in the fiscal year ended March 31, 2000. These decreases were partially offset by net foreign exchange losses of ¥104.6 billion in the fiscal year ended March 31, 2001 compared to net foreign exchange gains of ¥32.6 billion being reported in the fiscal year ended March 31, 2000.

Net foreign exchange losses in the fiscal year ended March 31, 2001 were ¥104.6 billion, compared to net foreign exchange gains of ¥32.6 billion in the fiscal year ended March 31, 2000. Major components of net foreign exchange gains or losses, as the case may be, in the fiscal years ended March 31, 2000 and 2001 are summarized below:

	Year ended March 31,	
	2000	2001
	(in billions)	
Gains (losses) on translation of foreign currency long-term debt	¥ 28.7	¥ (35.9)
Net gains (losses) on foreign exchange contracts entered into for trading purposes	82.3	(156.1)
Other—net	(78.4)	87.4
Total foreign exchange gains (losses)—net	¥ 32.6	¥(104.6)

The change to net foreign exchange losses of ¥104.6 billion in the fiscal year ended March 31, 2001 from net foreign exchange gains of ¥32.6 billion in the fiscal year ended March 31, 2000 was due primarily to translation losses on foreign currency long-term debts resulting from the depreciation of the yen against the US dollar and other foreign currencies and net losses on foreign exchange contracts entered into for trading purposes in the fiscal year ended March 31, 2001.

The decrease in losses on other real estate owned in the fiscal year ended March 31, 2001 was due primarily to a decrease in valuation losses on other real estate owned as we reduced our other real estate owned from ¥65.9 billion at March 31, 2000 to ¥33.9 billion at March 31, 2001 through asset sales to third parties.

Income Tax Expense (Benefit)

The following table presents a summary of our income tax expense or benefit:

	Year ended March 31,		
	2000	2001	2002
		(in billions)	
Income (loss) before income tax expense or benefit	¥ 2.6	¥ 3.6	¥(324.2)
Income tax expense (benefit)	¥ 50.2	¥ 62.8	¥(101.8)
Effective tax rate	1,916.0%	1,748.8%	31.4%
Normal effective statutory tax rate	41.9%	38.9%	38.0%

Effective April 1, 2000, the normal effective statutory income tax rate decreased to 38.9% as a result of a change in the local taxation. The Tokyo Metropolitan Assembly enacted a new tax law on March 30, 2000 that changed the basis on which it taxes large banks doing business in Tokyo, including Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, from a tax based on regional income to a tax based on gross operating income attributable to the operations in Tokyo. Effective April 1, 2001, the normal effective statutory income tax rate further decreased to 38.0% as a result of the change in the local taxation as the Osaka Prefectural Assembly passed a new tax law that is substantially the same as the law approved by the Tokyo Metropolitan Assembly. The effect of the decreases in income tax rates on our net deferred tax assets was an increase of ¥9.4 billion in income tax expense in the fiscal year ended March 31, 2000 and an increase of ¥12.7 billion in income tax expense in the fiscal year ended March 31, 2001. The new local taxes have been accounted for as non-interest expenses.

As discussed in "—Recent Developments—Legal Proceedings for Local Taxes" above, the Tokyo District Court rejected the new tax enacted by the Tokyo Metropolitan Assembly on March 26, 2002. The court ordered the Tokyo Metropolitan Government to refund ¥72.4 billion in tax payments to 18 major banks and to pay an additional ¥1.8 billion in compensation. On March 29, 2002, the Tokyo Metropolitan Government appealed to the Tokyo High Court. We incurred and paid ¥18.4 billion for the new taxes during the fiscal year ended March 31, 2001. Following the decision of the Tokyo District Court, 16 major banks filed a lawsuit on April 4, 2002 with the Osaka District Court against the Osaka Prefectural Government, seeking to nullify the new Osaka tax rule. We incurred and paid ¥18.6 billion in local taxes applicable to the fiscal year ended March 31, 2002 to the

Tokyo Metropolitan Government. We also accrued ¥3.1 billion in local taxes imposed by Osaka Prefectural Government, but we have not paid the local taxes because of the revision of the local tax rule and we will reverse such accrual in the fiscal year ending March 31, 2003. To date, there have been no any decisions made by the Tokyo High Court and the Osaka District Court. As it is not certain how these cases are finalized until the legal process is complete, we have not recorded any gain in our consolidated financial statements.

In June 2002, the Japanese Diet enacted amendments to national corporate income tax laws, which include the introduction of a consolidated corporate-tax system. The consolidated corporate-tax system is to be applied to fiscal years beginning on and after April 1, 2002. The new system allows companies to base tax payments on the combined profits or losses of a parent company and its wholly owned domestic subsidiaries. A parent company may elect to pay national income taxes based on the consolidated corporate-tax system or the previously existing corporate-tax system which did not permit consolidated tax reporting. A company that elects to pay national income taxes based on the consolidated corporate-tax system is required to pay a surcharge tax of 2% of taxable income in addition to the national income tax rate based on the previously existing individual corporate-tax system of 30% until the fiscal year ending March 31, 2004.

We have not decided whether we will elect to pay national income taxes based on the consolidated corporate-tax system for the fiscal year ending March 31, 2003. We cannot reasonably estimate what the impact of the adoption of consolidated corporate-tax system would be on our financial condition and results of operations compared with the existing individual corporate-tax system, because interpretations and detail guidelines for the computation of taxable income have not been released.

Reconciling items between combined normal effective statutory tax rates and effective income tax rates for the fiscal years ended March 31, 2000, 2001 and 2002 are summarized as follows:

	Year ended March 31,		
	2000	2001	2002
Combined normal effective statutory tax rate	41.9%	38.9%	(38.0)%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	753.5	237.3	2.9
Goodwill amortization	26.2	31.0	0.7
Nontaxable dividends received	234.8	225.8	1.3
Foreign tax credit	(271.4)	(90.4)	(1.9)
Lower tax rates applicable to income of foreign subsidiaries	(255.5)	(93.8)	(2.7)
Foreign income exempted for income tax purpose	23.5	(88.9)	(0.5)
Foreign tax assessment (refund)	(645.8)	30.1	(0.7)
Minority interest	278.5	184.3	2.5
Change in valuation allowance	489.8	284.7	16.8
Expiration of loss carryforwards of subsidiaries	884.8	733.1	0.1
Enacted change in tax rates	357.3	245.4	—
Realization of previously unrecognized tax benefits of subsidiaries	—	—	(11.2)
Other—net	(1.6)	11.3	(0.7)
Effective income tax rate	1,916.0%	1,748.8%	(31.4)%

The effective income tax rate of 31.4% in the fiscal year ended March 31, 2002 was 6.6 points lower than the combined normal effective statutory tax rate of 38.0%. The lower effective income tax rate in the fiscal year ended March 31, 2002 was attributable primarily to an increase in valuation allowance. Valuation allowance is provided against the portion of deferred tax assets that is more likely than not to be realized. The valuation allowance provided against deferred tax assets increased ¥43.5 billion from ¥213.1 billion at March 31, 2001 to ¥256.6 billion at March 31, 2002. The increase in valuation allowance in part reflects an increase of ¥14.6 billion relating to accumulated other changes in equity from nonowner sources (principally, unrealized losses on investment securities available for sale and minimum pension liability adjustments). The remainder of the increase in total valuation allowance primarily reflected an increase in the valuation allowance provided against a portion of deferred tax assets on operating loss carryforwards of our domestic subsidiaries that are not expected to be realized. The effect of the increase in valuation allowance was partially offset by realization of previously unrecognized tax benefits of subsidiaries.

Due to the relatively small amounts of income before income tax expenses in the fiscal years ended March 31, 2000 and 2001, individual reconciling items had a significant impact on the effective income tax rate in each period. In particular, change in valuation allowance, expiration of loss carryforwards of subsidiaries, and enacted change in tax rates were special reconciling items in the fiscal year ended March 31, 2001.

Total valuation allowance against deferred tax assets increased ¥14.5 billion from ¥198.6 billion at March 31, 2000 to ¥213.1 billion at March 31, 2001. The net increase in total valuation allowance of ¥14.5 billion in the fiscal year ended March 31, 2001 comprised an increase of ¥38.3 billion in valuation allowance of non-bank subsidiaries, mainly Diamond Mortgage Co., Ltd., a subsidiary of Bank of Tokyo-Mitsubishi, and a net decrease of ¥23.8 billion in valuation allowance, resulting primarily from the expiration of operating loss carry forwards of Nippon Trust Bank. As deferred tax assets for such operating loss carry forwards were fully reduced by the valuation allowance at March 31, 2000, the decrease in valuation allowance in the fiscal year ended March 31, 2001 had no impact on the income tax expense.

Business Segment Analysis

We measure the performance of each business segment in terms of "operating profit" in accordance with the Japanese banks' regulatory reporting requirements to the Financial Services Agency. Operating profit and other segment information is based on Japanese GAAP and is not consistent with our financial statements prepared on the basis of U.S. GAAP. For example, operating profit under Japanese GAAP does not reflect items such as most of the provisions for credit losses, foreign exchange gains (losses) and equity investment securities gains (losses). Net revenue and operating expenses excluded from the measurement of "operating profit" are discussed in note 27 of the notes to our consolidated financial statements included elsewhere in this Annual Report.

As mentioned above, Nippon Trust Bank and Tokyo Trust Bank were merged with and into Mitsubishi Trust Bank on October 1, 2001. The segment information for Bank of Tokyo-Mitsubishi, the former parent of Nippon Trust Bank and Tokyo Trust Bank, for the fiscal years ended March 31, 2000 and 2001 was restated to exclude the operating results of Nippon Trust Bank and Tokyo Trust Bank. The segment information for Mitsubishi Trust Bank reflects the combined results of operations after the merger on October 1, 2001. For the fiscal years ended March 31, 2000 and 2001 and for the six-month period ended September 30, 2001, the operating results of Nippon Trust Bank and Tokyo Trust Bank are not included in the segment information for Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank, and are separately presented following the segment information of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank.

Bank of Tokyo-Mitsubishi

Bank of Tokyo-Mitsubishi maintains its business unit system based on customer and product segmentation. Bank of Tokyo-Mitsubishi's major business units are:

- **retail banking,** which provides banking products and services to individuals and some small and medium-sized companies;
- **commercial banking,** which provides banking products and services to large corporations and some small and medium-sized companies;
- **global corporate banking,** which provides banking products and services to large corporations and some small and medium-sized companies, particularly those with banking needs outside of Japan, and overseas customers except for UNBC's customers;
- **investment banking,** which provides advisory and other services related to mergers and acquisitions, private and public securities offerings, project financing, derivatives and securitization and other investment banking activities;

- **asset management,** which is responsible for planning and supporting asset management products and services, and risk management of the trust and asset management subsidiaries;
- **UNBC,** which includes Bank of Tokyo-Mitsubishi's subsidiaries in California, UnionBanCal Corporation and Union Bank of California, N.A.;
- **operations services,** which provides operations and settlement services to Bank of Tokyo-Mitsubishi's other business units, including settlement and foreign exchange;
- **treasury,** which conducts Bank of Tokyo-Mitsubishi's asset and liability management and liquidity management; and
- **other,** which consists of:
  - system services, which is responsible for Bank of Tokyo-Mitsubishi's computer systems;
  - e-Business and IT Initiatives, which is responsible for developing information technology business opportunities;
  - the corporate center, which retains functions such as strategic planning, overall risk management, internal auditing and compliance within Bank of Tokyo-Mitsubishi; and
  - the elimination of duplicated amounts of net revenue among Bank of Tokyo-Mitsubishi's other business segments.

Please refer to "Business—Bank of Tokyo-Mitsubishi" for further explanation of these business segments.

The following table shows the business segment information in the fiscal years ended March 31, 2000, 2001 and 2002:

	Retail Banking	Commercial Banking	Global Corporate Banking	Investment Banking	Asset Management	UNBC	Operations Services	Treasury	Other	Total
					(in billions)					
Fiscal year ended March 31, 2000:										
Net revenue	¥244.7	¥284.6	¥255.0	¥ 76.3	¥ 8.8	¥205.1	¥19.9	¥140.4	¥ (52.9)	¥1,181.9
Operating expenses	186.3	132.3	108.5	49.4	5.6	122.6	16.6	22.0	37.1	680.4
Operating profit	¥ 58.4	¥152.3	¥146.5	¥ 26.9	¥ 3.2	¥ 82.5	¥ 3.3	¥118.4	¥ (90.0)	¥ 501.5
Fiscal year ended March 31, 2001:										
Net revenue	¥301.5	¥286.7	¥270.6	¥ 94.3	¥ 8.8	¥256.2	¥22.4	¥105.1	¥ (27.2)	¥1,318.4
Operating expenses	231.3	130.5	124.5	72.1	12.7	131.9	18.1	23.2	146.8	891.1
Operating profit	¥ 70.2	¥156.2	¥146.1	¥ 22.2	¥(3.9)	¥124.3	¥ 4.3	¥ 81.9	¥(174.0)	¥ 427.3
Fiscal year ended March 31, 2002:										
Net revenue	¥283.1	¥297.7	¥282.1	¥114.5	¥ 8.9	¥295.9	¥21.5	¥207.1	¥ (58.3)	¥1,452.5
Operating expenses	230.6	126.8	134.6	72.6	13.9	163.6	17.6	28.4	57.0	845.1
Operating profit	¥ 52.5	¥170.9	¥147.5	¥ 41.9	¥(5.0)	¥132.3	¥ 3.9	¥178.7	¥(115.3)	¥ 607.4

Note—The segment information for the fiscal years ended March 31, 2000 and 2001 was restated to conform to the presentation for the fiscal year ended March 31, 2002.

When Bank of Tokyo-Mitsubishi's business units work together to provide services to customers, we assign the total amount of net revenue derived from those services to each participating business unit without dividing the net revenue. As a result, some items of net revenue are duplicated among the participating segments. The duplicated amounts are eliminated in the "Other" column. The following is a summary of the duplicated amounts between those segments shown in columns and those shown in the rows. The total of such duplicated amounts is included in “Other” in the table above.

	Commercial Banking	Global Corporate Banking	Asset Management	Total Amount Eliminated
	(in billions)			
Fiscal year ended March 31, 2000:				
Investment banking	¥3.8	¥21.8	¥0.6	¥26.2
Fiscal year ended March 31, 2001:				
Investment banking	¥5.6	¥28.0	¥0.5	¥34.1
Fiscal year ended March 31, 2002:				
Investment banking	¥7.8	¥30.2	¥ —	¥38.0

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

Total net revenue increased ¥134.1 billion, or 10.2%, from ¥1,318.4 billion in the fiscal year ended March 31, 2001 to ¥1,452.5 billion in the fiscal year ended March 31, 2002. The increase in total net revenue was due mainly to an increase of ¥102.0 billion in the treasury unit and an increase of ¥39.7 billion in the UNBC business unit. These increases were partially offset by a decrease of ¥18.4 billion in the retail banking business unit.

Total operating expenses decreased ¥46.0 billion, or 5.2%, from ¥891.1 billion in the fiscal year ended March 31, 2001 to ¥845.1 billion in the fiscal year ended March 31, 2002. The decrease in total operating expenses was due mainly to a decrease of ¥89.8 billion in operating expenses included in the “Other” column. The decrease was partially offset by an increase of ¥31.7 billion in the UNBC business unit due mainly to an increase in advertising and other operating expenses.

Net revenue of the retail banking business unit decreased ¥18.4 billion, or 6.1%, from ¥301.5 billion in the fiscal year ended March 31, 2001 to ¥283.1 billion in the fiscal year ended March 31, 2002. The decrease was mainly due to a decrease in net interest income of ¥21.3 billion, reflecting a decline in interest margins between interest rates offered to the depositors and interest rates applied for funds sold. The decline in interest margins was mainly due to a decrease in interest rates applied for funds sold, which was larger than a decrease in interest rates offered to the depositors.

Net revenue of the commercial banking business unit increased ¥11.0 billion, or 3.9%, from ¥286.7 billion in the fiscal year ended March 31, 2001 to ¥297.7 billion in the fiscal year ended March 31, 2002. The increase was mainly due to an increase of ¥4.0 billion in net fee income (mainly increases in commitment line fees and safe deposit box rental income), an increase of ¥3.9 billion in other income (mainly gains on derivative transactions), and an increase of ¥2.3 billion in revenues from a newly consolidated subsidiary.

Net revenue of the global corporate banking business unit increased ¥11.5 billion, or 4.2%, ¥270.6 billion in the fiscal year ended March 31, 2001 to ¥282.1 billion in the fiscal year ended March 31, 2002. The increase was mainly due to an increase of ¥7.9 billion in net fee income such as commitment line fees and fees on investment banking business. These increases were partially offset by an increase in foreign exchange losses relating to the economic crisis in Argentina.

Net revenue of the investment banking business unit increased ¥20.2 billion, or 21.5%, from ¥94.3 billion in the fiscal year ended March 31, 2001 to ¥114.5 billion in the fiscal year ended Mach 31, 2002. The increase was largely attributable to an increase of ¥5.9 billion in net interest income relating mainly to structured finance, an increase of ¥3.7 billion in net fee income relating mainly to securitization of loans and syndication of loans, and an increase of ¥4.5 billion in other income relating mainly to gains on derivative transactions. The profits of subsidiaries also contributed to the increase.

Net revenue of the asset management business unit increased ¥0.1 billion, or 1.7%, from ¥8.8 billion in the fiscal year ended March 31, 2001 to ¥8.9 billion in the fiscal year ended March 31, 2002. The increase reflected an increase of ¥4.1 billion in net interest income, which primarily resulted from a decrease in funding costs. The increase was partially offset by a decrease in trust fees.

Net revenue of the UNBC business unit increased ¥39.7 billion, or 15.5%, from ¥256.2 billion in the fiscal year ended March 31, 2001 to ¥295.9 billion in the fiscal year ended March 31, 2002. The increase was largely due to the depreciation of the yen against the US dollar.

Net revenue of the operation services unit decreased ¥0.9 billion, or 4.1%, from ¥22.4 billion in the fiscal year ended March 31, 2001 to ¥21.5 billion in the fiscal year ended March 31, 2002, mainly due to a decrease in the volume of domestic operation and settlement services.

Net revenue of the treasury unit increased ¥102.0 billion, or 97.0%, from ¥105.1 billion in the fiscal year ended March 31, 2001 to ¥207.1 billion in the fiscal year ended March 31, 2002. The increase was mainly due to an increase in net interest income, which primarily reflected an increase in interest income on foreign currency treasury business, resulting from a decline in the foreign currency interest rate and an increase in gains on investment in foreign bonds.

The decrease in operating expenses of "Other" column primarily reflected a significant decrease in the general provision for credit losses. Credit losses are reflected in the corporate center rather than being allocated to each business segment.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

Total net revenue increased ¥136.5 billion, or 11.6%, from ¥1,181.9 billion in the fiscal year ended March 31, 2000 to ¥1,318.4 billion in the fiscal year ended March 31, 2001. An increase of ¥56.8 billion in the retail banking business unit and an increase of ¥51.1 billion in the UNBC business unit were primary contributors to the increase in net revenue, while a decline in the treasury business unit partially offset these increases.

The increase in net revenue of the retail banking business unit was primarily attributable to the addition of revenues of DC Card Co., Ltd., which was newly consolidated at the end of the fiscal year ended March 31, 2000. The increase in net revenue of the UNBC business unit was primarily attributable to the depreciation of the yen against the US dollar, an increase in net interest income, which resulted from an increase in average interest earning assets and improved net interest margin, and an increase in non-interest income, particularly growth in trust and investment management fees and merchant banking fees. The decrease in net revenue of the treasury business unit was principally due to the decrease in net revenue in yen-denominated treasury activities and losses on securities investment activities.

Total operating profit decreased ¥74.2 billion, or 14.8%, from ¥501.5 billion in the fiscal year ended March 31, 2000 to ¥427.3 billion in the fiscal year ended March 31, 2001. The decrease in total operating profit primarily resulted from an increase in operating expenses of Bank of Tokyo-Mitsubishi's corporate center included in the "Other" column. The increase in operating expenses of Bank of Tokyo-Mitsubishi's corporate center primarily reflected a significant increase in the provision for credit losses. Credit losses are reflected in the corporate center rather than being allocated to each business segment.

Mitsubishi Trust Bank

Mitsubishi Trust Bank has the following business groups:

- **trust-banking business,** which provides trust and banking services to retail and corporate clients;
- **trust assets business,** which provides various asset management services, including retirement benefits trust and asset administration services;
- **real estate business,** which provides brokerage, sales and leasing, valuation, advisory and other real estate services;
- **global markets business,** which provides various financial services including commercial banking to overseas customers, money markets, capital markets operations and securities investments; and

- **other,** which consists of:
  - interest and dividends on certain investment securities held for relationship management; and
  - administrative divisions of the headquarters, such as personnel and planning.

Mitsubishi Trust Bank measures the financial performance of its subsidiaries based on ordinary profit or loss shown in their financial statements. Because of the limited significance of subsidiary operations, Mitsubishi Trust Bank does not allocate the subsidiaries' financial performance to business groups, and manages them on an aggregate basis. The results of these subsidiaries are included in "other".

Effective April 1, 2001, the former banking business group was renamed the trust-banking business group to reflect the emphasis the group places on the development of the synergies between the banking businesses and the trust businesses. In addition, the real estate business group was newly established effective April 1, 2001, to handle the real estate business which was previously part of the banking business group based on the management's belief that this business would grow as its customer base expands. The segment information for the fiscal year ended March 31, 2000 and 2001 is restated to reflect these changes made in the fiscal year ended March 31, 2002.

As mentioned above, Nippon Trust Bank and Tokyo Trust Bank were merged with and into Mitsubishi Trust Bank on October 1, 2001. However, it is not practicable to restate the business segment information for the fiscal year ended March 31, 2000 and 2001 to reflect the effect of the merger because the differences in the policies and processes of compiling and summarizing segment information among Mitsubishi Trust Bank, Nippon Trust Bank and Tokyo Trust Bank make it impractical precisely and reasonably allocate the financial performance of Nippon Trust Bank and Tokyo Trust Bank to each of relevant business groups of Mitsubishi Trust Bank.

Please refer to "Business—Mitsubishi Trust Bank" for a further explanation of our business segments.

The following table shows the business segment information used by Mitsubishi Trust Bank executive management with respect to the fiscal years ended March 31, 2000, 2001 and 2002:

	Trust-Banking	Trust Assets	Real Estate	Global Markets	Other	Segment Totals
			(in billions)			
Fiscal year ended March 31, 2000:						
Net revenue	¥112.8	¥50.0	¥ 9.0	¥120.7	¥29.1	¥321.6
Operating expenses	68.2	28.9	6.7	16.7	23.4	143.9
Subsidiaries	—	—	—	—	6.0	6.0
Operating profit	¥ 44.6	¥21.1	¥ 2.3	¥104.0	¥11.7	¥183.7
Fiscal year ended March 31, 2001:						
Net revenue	¥114.6	¥49.9	¥12.0	¥101.1	¥30.0	¥307.6
Operating expenses	67.7	26.8	6.3	16.6	27.2	144.6
Subsidiaries	—	—	—	—	3.0	3.0
Operating profit	¥ 46.9	¥23.1	¥ 5.7	¥ 84.5	¥ 5.8	¥166.0
Fiscal year ended March 31, 2002:						
Net revenue	¥116.4	¥54.3	¥11.7	¥105.9	¥27.7	¥316.0
Operating expenses	69.1	33.2	8.1	17.9	31.5	159.8
Subsidiaries	—	—	—	—	(0.3)	(0.3)
Operating profit	¥ 47.3	¥21.1	¥ 3.6	¥ 88.0	¥(4.1)	¥155.9

Note—The segment information for the fiscal year ended March 31, 2000 and 2001 was restated to conform to the presentation for the fiscal year ended March 31, 2002.

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

Total net revenue increased ¥8.4 billion, or 2.7%, from ¥307.6 billion in the fiscal year ended March 31, 2001 to ¥316.0 billion in the fiscal year ended March 31, 2002. The improvement in total net revenue was largely due to a ¥4.4 billion increase in the trust assets business group net revenue and a ¥4.8 billion increase in the global markets business group net revenue.

Net revenue of the trust-banking business group increased ¥1.8 billion, or 1.6%, from ¥114.6 billion in the fiscal year ended March 31, 2001 to ¥116.4 billion in the fiscal year ended March 31, 2002. The increase was mainly due to an increase of ¥7.6 billion in fee income, resulting from increases in fees and commissions obtained for arrangements of off-balancing trade receivables, securitization of real estate, sales of investment trusts and stock transfer agency services. The increase in fee income was partially offset by a decrease of ¥3.1 billion in net interest income on loans and a decrease of ¥2.6 billion in trust fees earned with respect to jointly operated designated money trusts.

Net revenue of the trust assets business group increased ¥4.4 billion, or 8.9%, from ¥49.9 billion in the fiscal year ended March 31, 2001 to ¥54.3 billion in the fiscal year ended March 31, 2002. The increase was mainly due to an increase in fee income such as the securities-trust-related fees including trust fees on specified money trusts (Tokkin) and independently operated designated money trusts (Shiteitan), and fees for debt security paying agent services.

Net revenue of the real estate business group decreased ¥0.3 billion, or 2.7%, from ¥12.0 billion in the fiscal year ended March 31, 2001 to ¥11.7 billion in the fiscal year ended March 31, 2002. The decrease was largely due to a decrease in the number of brokerage transactions.

Net revenue of the global markets business group increased ¥4.8 billion, or 4.8%, from ¥101.1 billion in the fiscal year ended March 31, 2001 to ¥105.9 billion in the fiscal year ended March 31, 2002. Although other income decreased by ¥23.9 billion from the fiscal year ended March 31, 2001 mainly due to the reduced profit on sale of bonds, including government bonds, net interest income increased by ¥36.8 billion from the previous fiscal year largely due to decreased funding costs resulting from a decline in short-term foreign currency interest rates.

Total operating expenses for the fiscal year ended March 31, 2002 were ¥159.8 billion, an increase of ¥15.2 billion, or 10.5%, from previous fiscal year operating expenses of ¥144.6 billion. The increase was primarily due to the addition of personnel following the October 2001 merger with Nippon Trust Bank and Tokyo Trust Bank.

In the fiscal year ended March 31, 2002, subsidiaries on a combined basis recorded an operating loss of ¥0.3 billion, a decrease of ¥3.3 billion from the previous fiscal year profit of ¥3.0 billion. The loss was mainly due to an increase in credit costs resulting from increased disposals of problem assets by an overseas subsidiary.

As a result, total operating profit in the fiscal year ended March 31, 2002 amounted to ¥155.9 billion, a decrease of ¥10.1 billion, or 6.1%, from ¥166.0 billion in the fiscal year ended March 31, 2001.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

Total net revenue decreased ¥14.0 billion, or 4.3%, from ¥321.6 billion in the fiscal year ended March 31, 2000 to ¥307.6 billion in the fiscal year ended March 31, 2001. The decrease in total net revenue primarily reflected a decrease of ¥19.6 billion in the global markets group due primarily to a decrease in investment debt securities gains, which was partially offset by an increase of ¥3.0 billion in the real estate group.

Total operating profit decreased ¥17.7 billion, or 9.7%, from ¥183.7 billion in the fiscal year ended March 31, 2000 to ¥166.0 billion in the fiscal year ended March 31, 2001. The decrease in total operating profit primarily resulted from the decrease of ¥19.6 billion in net revenue of the global markets group.

Nippon Trust Bank and Tokyo Trust Bank

As discussed above, operating results of Nippon Trust Bank and Tokyo Trust Bank for the fiscal years ended March 31, 2000 and 2001, and for the six-month period ended September 30, 2001, are not included in the segment information for Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank. The following is a summary of net revenue, operating expenses and operating profit of these companies for each of such periods, derived from the internal management systems of Nippon Trust Bank and Tokyo Trust Bank without any adjustments:

	Nippon Trust Bank	Tokyo Trust Bank	Total
		(in billions)	
Fiscal year ended March 31, 2000:			
Net revenue	¥38.3	¥2.6	¥40.9
Operating expenses	25.1	1.2	26.3
Operating profit	¥13.2	¥1.4	¥14.6
Fiscal year ended March 31, 2001:			
Net revenue	¥33.9	¥3.1	¥37.0
Operating expenses	19.0	1.2	20.2
Operating profit	¥14.9	¥1.9	¥16.8
Six-month period ended September 30, 2001:			
Net revenue	¥11.3	¥0.8	¥12.1
Operating expenses	13.7	0.6	14.3
Operating profit (loss)	¥(2.4)	¥0.2	¥(2.2)

The operating loss of Nippon Trust Bank for the six-month period ended September 30, 2001 resulted from a decrease in net revenue and an increase in operating expenses, as compared to the corresponding periods in the prior fiscal periods. The decrease in net revenue primarily reflected a decrease in loan trust balances due to termination of such operations and a decrease in the number of real estate brokerage transactions. The increase in operating expenses was attributable to an increase in net periodic pension cost. On October 1, 2001, Nippon Trust Bank and Tokyo Trust Bank were merged with and into Mitsubishi Trust Bank.

Geographic Segment Analysis

The following table sets forth total revenue, income or loss before income taxes and net income or loss on a geographic basis based principally on the domicile of activities in the fiscal years ended March 31, 2000, 2001 and 2002:

	Year ended March 31,		
	2000	2001	2002
		(in billions)	
Total revenue (interest income and non-interest income):			
Domestic	¥1,491.1	¥1,605.8	¥1,258.7
Foreign:			
United States	606.2	760.0	701.8
Europe	187.7	411.7	364.9
Asia/Oceania excluding Japan	237.1	256.6	259.9
Other Areas*	163.4	204.7	132.4
Total foreign	1,194.4	1,633.0	1,459.0
Total	¥2,685.5	¥3,238.8	¥2,717.7
Income (loss) before income tax expense or benefit:			
Domestic	¥ (45.1)	¥ (344.8)	¥ (387.1)
Foreign:			
United States	33.1	88.5	(31.4)
Europe	(108.2)	113.6	8.5
Asia/Oceania excluding Japan	65.4	84.1	44.8
Other Areas*	57.4	62.2	41.0
Total foreign	47.7	348.4	62.9
Total	¥ 2.6	¥ 3.6	¥ (324.2)
Net income (loss):			
Domestic	¥ (33.4)	¥ (362.3)	¥ (236.5)
Foreign:			
United States	(8.7)	58.1	(57.0)
Europe	(113.9)	112.0	4.1
Asia/Oceania excluding Japan	53.9	72.0	35.0
Other Areas*	54.6	61.0	37.9
Total foreign	(14.1)	303.1	20.0
Total	¥ (47.5)	¥ (59.2)	¥ (216.5)

* Other Areas primarily includes Canada, Latin America and the Caribbean.

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2001

Domestic total revenue decreased ¥347.1 billion, or 21.6%, from ¥1,605.8 billion in the fiscal year ended March 31, 2001 to ¥1,258.7 billion in the fiscal year ended March 31, 2002. The decrease in domestic total revenue primarily reflected decreases in interest income, net trading account profits and net investment securities gains.

Foreign total revenue decreased ¥174.0 billion, or 10.7%, from ¥1,633.0 billion in the fiscal year ended March 31, 2001 to ¥1,459.0 billion in the fiscal year ended March 31, 2002. The decrease in foreign total revenue primarily reflected trading account losses in Europe in the latter period and a decrease in interest income in the United States and other areas due to declining interest rates, partially offset by an effect of the depreciation of the yen against the US dollar and other foreign currencies.

Domestic loss before income tax increased ¥42.3 billion, or 12.3%, from ¥344.8 billion in the fiscal year ended March 31, 2001 to ¥387.1 billion in the fiscal year ended March 31, 2002. The increase in domestic loss before income tax was due primarily to decreases in net interest income, net trading account profits and net investment securities gains.

Foreign income before income taxes decreased ¥285.5 billion, or 81.9%, from ¥348.4 billion in the fiscal year ended March 31, 2001 to ¥62.9 billion in the fiscal year ended March 31, 2002. The decrease in foreign income before income taxes primarily reflected foreign exchange losses in United States and Europe due to the depreciation of the yen against other foreign currencies, an increase in credit losses in the United States, particularly those relating to the bankruptcy of Enron Corporation, and a net trading loss in Europe.

Fiscal Year Ended March 31, 2001 Compared to Fiscal Year Ended March 31, 2000

The increase of ¥114.7 billion in domestic total revenue from ¥1,491.1 billion in the fiscal year ended March 31, 2000 to ¥1,605.8 billion in the fiscal year ended March 31, 2001 was attributable primarily to an increase in non-interest income, particularly net trading account profits.

Foreign total revenue in the fiscal year ended March 31, 2001 increased ¥438.6 billion, or 36.7%, to ¥1,633.0 billion from ¥1,194.4 billion in the fiscal year ended March 31, 2000. The increase in foreign total revenue was due primarily to an increase in interest income, resulting mainly from an increase in interest-earning assets, and to an increase in net trading account profits.

Loss before income taxes from domestic operations in the fiscal year ended March 31, 2001 was ¥344.8 billion, an increase of ¥299.7 billion from ¥45.1 billion in the fiscal year ended March 31, 2000. The increase in loss from domestic operations was due primarily to an increase in provision for credit losses on domestic non-performing loans and a decrease in net interest income.

Income before income taxes from foreign operations in the fiscal year ended March 31, 2001 was ¥348.4 billion, an increase of ¥300.7 billion from ¥47.7 billion in the fiscal year ended March 31, 2000. The increase in income was due primarily to an increase in net trading account profits.

Effect of Change in Exchange Rate on Foreign Currency Translation

The average exchange rate for the fiscal year ended March 31, 2002 was ¥125.13 per $1.00, compared with the average exchange rate for the fiscal year ended March 31, 2001 of ¥110.58 per $1.00. The average exchange rate for the conversion of US dollar financial statements for the year ended December 31, 2001 for some of our foreign subsidiaries was ¥121.54 per $1.00, compared with the average exchange rate for the year ended December 31, 2000 of ¥107.83 per $1.00.

As a result of the yen depreciation, yen amounts for transactions denominated in US dollars increased. In terms of the average exchange rate, the depreciation of the yen against the US dollar and other foreign currencies had the effect of increasing total revenue by approximately ¥175 billion, net interest income by ¥46 billion and loss before income taxes by ¥19 billion for the fiscal year ended March 31, 2002, as compared with the corresponding amounts in the fiscal year ended March 31, 2001.

B. Liquidity and Capital Resources.

Financial Condition

Total Assets

Our total assets at March 31, 2002 were ¥94.37 trillion, representing an increase of ¥0.88 trillion, or 0.9%, from ¥93.49 trillion at March 31, 2001. The increase was due primarily to an increase in securities available for sale of ¥1.55 trillion, an increase in net loans of ¥0.54 trillion, and an increase in other assets of ¥0.69 trillion. The increase in other assets consisted primarily of an increase in deferred tax assets. These increases were partially offset by a ¥1.68 trillion decrease in interest-earning deposits in other banks.

We have a substantial portion of our assets allocated to international activities and, as a result, reported amounts are affected by changes in the value of the yen against the US dollar and other foreign currencies. Foreign assets are denominated primarily in US dollars. The following table shows our total assets at March 31, 2001 and 2002 by geographic region based principally on the domicile of the obligors:

	At March 31,	
	2001	2002
	(in trillions)	
Japan	¥68.25	¥69.16
Foreign		
United States	11.89	12.35
Europe	7.33	6.67
Asia/Oceania excluding Japan	3.41	3.30
Other Areas*	2.61	2.89
Total foreign	25.24	25.21
Total assets	¥93.49	¥94.37

* Other Areas primarily include Canada, Latin America and the Caribbean.

At March 29, 2002, the noon buying rate was ¥132.70 per $1.00, as compared with ¥125.54 per $1.00 at March 31, 2001. The yen equivalent amount of foreign currency denominated assets and liabilities increases as the yen/US dollar exchange rate becomes higher, evidencing a "weaker" yen, and decreases as the yen/US dollar exchange rate becomes lower, evidencing a "stronger" yen. The depreciation of the yen against the US dollar and other foreign currencies during the fiscal year ended March 31, 2002 increased the yen value of our assets by approximately ¥2.65 trillion. See ''Exchange Rate Information.''

Loan Portfolio

Loans are our primary use of funds. The average loan balance accounted for 59.4% of our total average interest-earning assets in the fiscal year ended March 31, 2001 and 57.7% in the fiscal year ended March 31, 2002. At March 31, 2002, our total loans were ¥50.23 trillion, representing an increase of ¥0.56 trillion, or 1.1%, from ¥49.67 trillion at March 31, 2001. The loan balance at March 31, 2002 consisted of ¥38.56 trillion of domestic loans and ¥11.67 trillion of foreign loans. The loan balance at March 31, 2001 consisted of ¥38.61 trillion of domestic loans and ¥11.06 trillion of foreign loans.

Domestic loans decreased ¥0.05 trillion to ¥38.56 trillion at March 31, 2002 from ¥38.61 trillion at March 31, 2001. The decrease in domestic loans reflected charge-offs and depressed loan demand in a variety of industries in the continued weak economy in Japan. However, we made loans to the Japanese government amounting to

¥1.53 trillion through a competitive bid in December 2001 and this new type of loan partially offset the decrease which resulted from the depressed loan demand.

Foreign loans increased ¥0.61 trillion to ¥11.67 trillion at March 31, 2002 from ¥11.06 trillion at March 31, 2001. The increase was primarily attributable to the depreciation of the yen against the US dollar and other foreign currencies. In terms of fiscal year-end exchange rates, the yen depreciated approximately 5.7% against the US dollar in the fiscal year ended March 31, 2002. However, in terms of local currencies in overseas subsidiaries and offices, loans denominated in foreign currencies generally decreased in the fiscal year ended March 31, 2002, primarily due to the slowdown in the economy of United States.

Allowance for Credit Losses, Nonperforming and Past Due Loans

The following table shows a summary of the change in the allowance for credit losses in the fiscal years ended March 31, 2000, 2001 and 2002:

	Year ended March 31,		
	2000	**2001**	**2002**
		(in billions)	
Balance at beginning of year	¥1,813.7	¥1,486.2	¥1,717.0
Provision for credit losses	372.4	797.1	601.7
Charge-offs:			
Domestic	(602.1)	(556.5)	(513.2)
Foreign	(121.9)	(87.9)	(156.2)
Total	(724.0)	(644.4)	(669.4)
Recoveries	44.3	46.1	66.0
Net charge-offs	(679.7)	(598.3)	(603.4)
Other, principally foreign exchange translation adjustments	(20.2)	32.0	19.9
Balance at end of year	¥1,486.2	¥1,717.0	¥1,735.2

The following table summarizes the allowance for credit losses by component at each fiscal year end:

	At March 31,		
	2000	**2001**	**2002**
		(in billions)	
Allocated allowance:			
Specific—specifically identified problem loans	¥ 971.1	¥1,245.5	¥1,301.6
Large groups of smaller balance homogeneous loans	26.8	26.8	38.3
Loans exposed to specific country risk	15.8	15.3	28.3
Formula—substandard, special mention and other loans	455.9	371.3	344.4
Unallocated allowance	16.6	58.1	22.6
Total allowance	¥1,486.2	¥1,717.0	¥1,735.2

Allowance Policy— Our credit rating system is closely linked to the risk grading standards set by the Japanese regulatory authorities for asset classification, and is used as a basis for establishing the allowance for credit losses. The categorization is based on conditions that may affect the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information and current trends. For a discussion of our credit rating system, see —"Item 11. Quantative and Qualitative Disclosures about Market Risk—Credit Risk Management."

Change in Total Allowance and Provision for Credit Losses—At March 31, 2002, total allowance for credit losses was ¥1,735.2 billion, or 3.45% of our total loan portfolio and 41.66% of total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more. At March 31, 2001, total allowance for credit losses was ¥1,717.0 billion, or 3.46% of our total loan portfolio and 40.18% of total nonaccrual and restructured loans and accruing loans contractually past due 90 days or more. The increase in allowance for credit losses reflected the continuing weak economy in Japan.

The provision for credit losses in the fiscal year ended March 31, 2002 was ¥601.7 billion, a decrease of ¥195.4 billion from ¥797.1 billion in the year ended March 31, 2001. The decrease in provision for credit losses in the fiscal year ended March 31, 2002 was primarily attributable to a decrease of ¥156.6 billion in impaired loans. The provision for credit losses, while high in the fiscal year ended March 31, 2002, declined from the prior year's level, which was high primarily because of a significant increase in impaired loans, in particular restructured loans, as compared with the previous year.

During the fiscal years ended March 31, 2000, 2001 and 2002, there were no significant additions to the allowance for credit losses resulting from directives, advice or counsel from governmental or regulatory bodies.

Allocated Allowance for Specifically Identified Problem Loans—The specific allocated credit loss allowance for specifically identified problem loans represents the impairment allowance against impaired loans called for in SFAS No. 114 "Accounting by Creditors for Impairment of a Loan." Impaired loans include nonaccrual loans, restructured loans and certain other loans. Loans are classified as nonaccrual loans when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due, except when the loans are in the process of collection based upon the judgment of management. Loans are classified as restructured loans when we grant a concession to the borrowers for economic or legal reasons related to the borrowers' financial difficulties. Other loans identified as impaired loans principally include loans which are contractually past due 90 days or more and where there is a significant doubt about collectibility. Detailed reviews of impaired loans are commenced twice a year, at the end of June and December, shortly after semiannual financial statements for most Japanese companies first become available. During the three month periods beginning in June and December each year and ending on the balance sheet dates, management reassesses borrowers' ratings in response to events occurring during such 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 part of an ongoing review process, our credit officers monitor changes in all customer creditworthiness during the periods between the detailed reviews. These detailed reviews form an integral part of our overall control process by providing a check for completeness to ensure that all loans have been properly evaluated in the review process. An impaired loan is evaluated individually based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral-dependent at balance sheet date.

The following table summarizes nonaccrual and restructured loans, and accruing loans that are contractually past due 90 days or more as to principal or interest payments, at March 31, 2000, 2001 and 2002:

	At March 31,		
	2000	2001	2002
	(billions, except percentages)		
Nonaccrual loans:			
Domestic:			
Manufacturing	¥ 112.2	¥ 118.9	¥ 142.6
Construction	226.2	202.5	213.5
Real estate	829.6	939.3	841.4
Services	290.3	247.7	214.9
Wholesale and retail	389.3	230.0	251.0
Banks and other financial institutions	140.9	125.6	58.6
Other industries	23.9	40.0	39.7
Consumer	56.2	163.1	166.3
Total domestic	2,068.6	2,067.1	1,928.0
Foreign	209.4	223.8	245.6
Total nonaccrual loans	2,278.0	2,290.9	2,173.6
Restructured loans			
Domestic:			
Manufacturing	28.6	276.2	303.0
Construction	20.5	148.8	190.0
Real estate	226.4	471.9	422.5
Services	77.9	232.0	248.6
Wholesale and retail	51.9	479.8	442.4
Banks and other financial institutions	18.1	93.8	55.4
Other industries	15.0	61.9	83.5
Consumer	11.3	91.2	113.8
Total domestic	449.7	1,855.6	1,859.2
Foreign	53.2	98.9	109.2
Total restructured loans	502.9	1,954.5	1,968.4
Accruing loans contractually past due 90 days or more			
Domestic	62.3	24.0	20.3
Foreign	1.7	3.4	2.7
Total accruing loans contractually past due 90 days or more	64.0	27.4	23.0
Total	¥ 2,844.9	¥ 4,272.8	¥ 4,165.0
Total loans	¥50,049.4	¥49,670.9	¥50,229.7
Nonaccrual loans, restructured loans and accruing loans contractually past due 90 days or more as a percentage of total loans	5.68%	8.60%	8.29%

The following table summarizes the balance of impaired loans and related impairment allowance at March 31, 2000, 2001 and 2002, excluding smaller-balance homogeneous loans:

	March 31,					
	2000		2001		2002	
	Loan balance	Impairment allowance	Loan balance	Impairment allowance	Loan balance	Impairment allowance
	(in billions)					
Requiring an impairment allowance	¥2,368.1	¥971.1	¥3,650.9	¥1,243.9	¥3,556.6	¥1,296.3
Not requiring an impairment allowance	408.6	—	551.4	—	489.1	—
Total	¥2,776.7	¥971.1	¥4,202.3	¥1,243.9	¥4,045.7	¥1,296.3
Percentage of the allocated allowance to total impaired loans	35.0%		29.6%		32.0%	

Impaired loans decreased ¥156.6 billion, or 3.7%, from ¥4,202.3 billion at March 31, 2001 to ¥4,045.7 billion at March 31, 2002. The decrease primarily reflected a decrease in nonaccrual loans of ¥117.3 billion. The decrease in nonaccrual loans was due primarily to charge-offs made during the fiscal year ended March 31, 2002. Although the impaired loans slightly decreased in the fiscal year ended March 31, 2002, the balance remained at a high level under the continuing weak economy in Japan.

The percentage of the allocated allowance to total impaired loans at March 31, 2002 was 32.0%, an increase of 2.4% from 29.6% at March 31, 2001. The percentage of allocated allowance to nonaccrual loans at March 31, 2002 was 46.1%, an increase of 1.8% from 44.3% at March 31, 2001. The percentage of allocated allowance to restructured loans at March 31, 2002 was 16.0%, an increase of 4.1% from 11.9% at March 31, 2001. These increases were due primarily to increases in the allowance for impaired loans because of a decline in the fair market value of collateral as a result of the real estate and the stock market downturn in Japan, which overrode the effect of the decrease in the recorded investment in impaired loans of ¥156.6 billion noted above.

The following is a summary of changes in domestic nonaccrual loans and restructured loans by industry segment in the fiscal year ended March 31, 2002:

- *Increase of ¥50.5 billion in the manufacturing industry segment and decrease of ¥16.2 billion in the services industry segment.* During the fiscal year ended March 31, 2002, business failures in the manufacturing industry in Japan increased by 13.6% from the prior fiscal year to 3,605 cases. In the services industry, a number of corporate bankruptcies in the fiscal year ended March 31, 2002 resulted in significant write-offs, which more than offset an increase in nonaccrual and restructured loans.
- *Increase of ¥52.2 billion in the construction industry segment and decrease of ¥147.3 billion in the real estate industry segment.* The Japanese real estate and construction industries have been severely and adversely affected by the sharp decline in Japanese real estate values and construction projects and lack of liquidity in the real estate market. The recession in the construction and real estate industry has resulted from a number of factors, including decreasing public-sector and private sector orders of construction, low demand in office rentals and sluggish real estate sales. Although the real estate industry has not improved, restructured loans to this sector decreased due to repayments by certain customers.
- *Increase of ¥25.8 billion in consumer loans.* Due to the continuing weak economy and rising unemployment, problem consumer loans have increased.
- *Decrease of ¥16.4 billion in the wholesale and retail industry segment.* As a consequence of the protracted recession in the Japanese economy, consumer spending continued to shrink during the fiscal year ended March 31, 2002. Although many retailers are attempting to restructure their operations through cost reductions or otherwise, they face continued declines in sales and lower gross margins. No positive factors

are evident that would be expected to stimulate a recovery. Although the wholesale and retail industries have not improved, our restructured loans to this sector decreased due to repayments by some of our customers in wholesale industry.

- *Decrease of ¥105.4 billion in the banks and other financial institutions industry segment.* Japanese banks and other financial institutions, including non-banks such as finance, leasing and credit companies, are currently experiencing severe asset quality problems. Such problems also affected insurance and securities companies, as evidenced by a number of failures. This has led to severe liquidity and solvency problems. Although the financial industry has not improved, nonaccrual loans to this sector decreased as a substantial amount of those loans were upgraded to normal status and restructured loans decreased due to repayments by some of our customers.

The continuing deterioration in the Japanese economy was evidenced by the significant increase in bankruptcy filings. The 20,052 bankruptcy filings in Japan during the year ended March 31, 2002 represents a 5.9% increase over the 18,926 cases filed in the previous year. The number of filings in the years ended March 31, 2002 is the second worst record in the postwar period, and is only surpassed by the 20,363 cases in the fiscal year ended March 31, 1985.

Based upon a review of the borrowers' financial situations, from time to time each of our banking subsidiaries grants various concessions to troubled borrowers at the borrower's request, including reductions in the stated interest rates or the principal amounts of loans, and extensions of the maturity dates at stated interest rates lower than the current market rates for loans with similar risks, when it is difficult for the borrower to make payments in accordance with the original loan payment terms. According to the policies of each of our banking subsidiaries, such modifications are made to mitigate the near-term burden of the loan provided to the borrower and better match the payment terms with the borrower's expected future cash flows, thereby improving the likelihood that the loan will be repaid on the revised terms. The nature and amount of the concessions depend on the particulars of the financial condition of the borrower. In principle, however, each of our banking subsidiaries does not modify the terms of loans to borrowers that are considered "Likely to Become Bankrupt", or "Virtually Bankrupt", or "Bankrupt" because in these cases there is little likelihood that the modification of loan terms would enhance recovery on the loan.

Our exposure to Enron Corporation and its subsidiaries and affiliates at the time it declared bankruptcy was approximately ¥35.3 billion. At March 31, 2002, after giving effect to net charge-offs, our Enron-related exposure was ¥5.7 billion with a specific allowance of ¥0.9 billion provided for the unsecured portion of our exposure. At March 31, 2002, we did not have a significant on-balance-sheet exposure to WorldCom, Inc. though we had extended an off-balance-sheet loan commitment of ¥19.6 billion. We fully provided the allowance for credit losses on the off-balance-sheet commitment at March 31, 2002.

Impaired loans increased ¥1,425.6 billion, or 51.3%, from ¥2,776.7 billion at March 31, 2000 to ¥4,202.3 billion at March 31, 2001. The increase primarily reflected an increase in restructured loans of ¥1,451.6 billion, partially offset by a decrease in other problem loans. The significant increase of ¥1,451.6 billion in restructured loans in the fiscal year ended March 31, 2001 reflected the deepening economic downturn in Japan and the resulting increase in the number of borrowers facing financial difficulties. The following is a summary of the increase in restructured loans by industry segments in Japan in the fiscal year ended March 31, 2001.

- *Increase of ¥373.8 billion in construction and real estate industry segment.* The Japanese real estate and construction industries have been severely and adversely affected by the sharp decline in Japanese real estate values and construction projects and a lack of liquidity in the real estate market. In the fiscal year ended March 31, 2001, several Japanese real estate and construction companies requested debt restructurings through out-of-court agreements that involve debt forgiveness, interest rate reductions, extension of maturities, and other concessions.
- *Increase of ¥427.9 billion in the wholesale and retail industry segment.* As a consequence of the protracted recession in the Japanese economy, consumer spending continued to shrink during the fiscal year ended March 31, 2001. As a result, large retailers, including Sogo Co., Ltd. and Mycal Corporation, requested debt

restructurings through out-of-court agreements. In addition, a considerable number of wholesalers and retailers, including large trading companies, requested debt restructurings through out-of-court agreements.

- *Increase of ¥75.7 billion in the financial industry segment.* Japanese banks and other financial institutions, including non-banks such as finance, leasing and credit companies, are currently experiencing severe asset quality problems. Such problems also affected insurance and securities companies, as evidenced by a number of failures. This led to severe liquidity and solvency problems, which have in many cases resulted in the liquidation or restructuring of affected institutions in the fiscal year ended March 31, 2001.
- *Increase of ¥401.7 billion in the manufacturing and services industry segment.* The fiscal year ended March 31, 2001, the number of borrowers facing financial difficulties, including small and medium-sized companies particularly in the manufacturing and services industries, rapidly increased under the fragile economic recovery. With respect to services industry, the number of corporate bankruptcies in the fiscal year ended March 31, 2001 reached the highest level after the collapse of the bubble economy.

Under these circumstances, corporate failures and bankruptcies of Japanese companies continued to increase. In terms of the size of liabilities, corporate bankruptcies in the fiscal year ended March 31, 2001 reached record highs. In particular, failures of small and medium-sized companies have been increasing in the prolonged recession and weak economic conditions since late 1999. In the fiscal year ended March 31, 2001, a large number of our borrowers, especially small and medium-sized companies with weak or unstable business performance, requested us to modify their initial loan provisions. Based upon a review of their financial situation, we granted various concessions to borrowers in this category, including reductions in the stated interest rates or the principal amounts of loans, and extensions of the maturity date at stated interest rates lower than the current market rates for loans with similar risks. A rise in credit risk premiums we charged to low-rated borrowers, as a result of increasing past credit defaults, also partially contributed to the increase in restructured loans. In addition, restructured loans increased as we extended the maturity of many of our short-term loans to borrowers facing financial difficulties. Some loans to large-sized corporations, primarily in the wholesale and retail industries, returned to accrual status in the fiscal year ended March 31, 2001 but were reclassified into restructured loans under renegotiated terms. There were no significant changes in the regulatory climate that contributed to the increase in restructured loans during the years ended March 31, 2001 and March 31, 2002.

Allocated Allowance for Large Groups of Smaller-Balance Homogeneous Loans—The allocated credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pool rather than on an analysis of individual loans. Large groups of smaller-balance homogeneous loans primarily consist of first mortgage housing loans to individuals. The allowance for groups of performing loans is based on historical loss over a period. In determining the level of allowance for delinquent groups of loans, we classify groups of homogeneous loans based on the risk rating and/or the number of delinquencies. We determine the credit loss allowance for delinquent groups of loans based on the probability of insolvency by the number of actual delinquencies and actual loss experience. The loss experience is usually determined by reviewing the historical loss rate. The allocated credit loss allowance for large groups of smaller-balance homogeneous loans increased ¥11.5 billion from ¥26.8 billion at March 31, 2001 to ¥38.3 billion at March 31, 2002. The increase was mainly due to the downgrading of individual borrowers' credit ratings.

Allocated Allowance for Country Risk Exposure—The allocated credit loss allowance for country risk exposure is based on an estimate of probable losses relating to the exposure to countries that we identify as having a high degree of transfer risk. We use a country risk grading system that assigns risk ratings to individual countries. To determine the risk rating, we consider the instability of foreign currency and difficulties regarding debt servicing. Major countries with substantial loans outstanding that were in the high-risk rating and subject to this allowance at March 31, 2002 were Argentina, Indonesia and Pakistan. The allowance is determined based on the assessment of individual country risks, taking into consideration various factors such as political and macroeconomic situations, debt repayment capability, the secondary market price, if available, of debt obligations of the concerned countries. It is generally based on a function of default probability and expected recovery ratios, taking external credit ratings into account.

Since the Asian economic crisis that began in Thailand in 1997, East Asian countries have generally rebounded from the severe economic downturn. The recent slowdown in the U.S. economy, however, is affecting economies in all of Asia. With the exception of China and Vietnam, which have been faring relatively better, the economies of other East Asian countries were generally slow in their economic recovery due primarily to the information technology slump in developed countries and the terrorist attacks in the United States.

The following is a summary of cross-border outstandings to counterparties in major Asian countries at March 31, 2001 and 2002:

	At March 31,	
	2001	2002
	(in billions)	
South Korea	¥225.8	¥218.9
Indonesia	141.8	78.2
Thailand	248.9	223.7
Malaysia	151.8	156.1
Philippines	70.5	80.0
Hong Kong	455.0	409.3
People's Republic of China	185.2	222.9

The extent of credit risk exposure from operations in East Asian countries will vary from country to country and from borrower to borrower. When we make a loan to a foreign affiliate of a Japanese corporation, we often obtain a letter or some other form of commitment of support from the related Japanese corporation in the event the foreign affiliate becomes insolvent. These types of commitments may not be legally binding agreements. We do not consider non-legally binding commitments as equivalent to guarantees and do not take them into account in the determination of the allowance for credit losses. The amount of legally binding support agreements from Japanese corporations which have been taken into consideration in the determination of the allowance for credit losses pertaining to East Asian countries was ¥222.8 billion at March 31, 2001 and ¥251.2 billion at March 31, 2002.

The following is a summary of cross-border outstandings to counterparties in major South American countries at March 31, 2001 and 2002:

	At March 31,	
	2001	2002
	(in billions)	
Argentina	¥116.7	¥ 74.4
Brazil	139.8	145.4
Mexico	75.2	110.0

Argentina—In late 2001, Argentina began to experience significant economic turmoil and deterioration, including the suspension of foreign debt payments. The Argentine government implemented substantial economic changes, abandoning the fixed US dollar-to-peso exchange rate and shifting to a floating exchange rate. The adoption of the floating rate occurred in parallel with increased restrictions on deposits and liquidity. The Argentine government has defaulted on its debt, and the outcome of talks between the Argentine government and the International Monetary Fund on receiving financial assistance remains uncertain. The Argentine government and other parties are working on a debt-restructuring program. At March 31, 2002, we had cross-border outstandings of approximately ¥74.4 billion to borrowers in Argentina and provided an allocated credit loss allowance for country risk exposure of ¥18.1 billion. We continue to assess our credit exposure to Argentina.

Formula Allowance for Substandard, Special Mention and Unclassified Loans. The formula allowance is calculated by applying loss factors to outstanding substandard, special mention and unclassified loans. The evaluation of inherent loss for these loans involves a high degree of uncertainty, subjectivity and judgment because probable credit losses are not identified with specific credits. In determining the formula allowance, we rely on a mathematical calculation that incorporates a percentage of total loans based on historical loss experience. The formula allowance declined from ¥371.3 billion as of March 31, 2001 to ¥344.4 billion as of March 31, 2002, due principally to a decline in the default ratio used to establish the formula allowance.

Unallocated Allowance. The unallocated allowance contains amounts that are based on management's evaluation of conditions that are not directly measured in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a degree of uncertainty higher than for other types of allowances because they are not identified with specific problem credits or portfolio segments. The conditions include the following, as our management understood them to exist at the balance sheet date:

- general economic and business conditions affecting our key lending areas;
- credit quality trends, including trends in nonperforming loans expected to result from existing conditions;
- collateral values;
- loan volumes and concentrations;
- seasoning of the loan portfolio;
- specific industry conditions within portfolio segments;
- recent loss experience in particular segments of the portfolio;
- duration of the current business cycle;
- bank regulatory examination results; and
- findings of our internal credit examiners.

To the extent that any of these conditions is evidenced by a specifically identifiable problem credit as of the evaluation date, management's estimate of the effect of the condition may be reflected as a specific allowance, applicable to the specific credit. Where any of these conditions is not evidenced by a specifically identifiable problem credit as of the evaluation date, management's evaluation of the probable loss related to the condition is first reflected in the formula allowance and then considered in the unallocated allowance. The allowance for credit losses is based upon estimates of probable losses inherent in the loan portfolio. Although we use methodologies that are intended to reduce the differences between estimated and actual losses, the actual losses can vary from the estimated amounts.

The unallocated allowance decreased ¥35.5 billion from ¥58.1 billion at March 31, 2001 to ¥22.6 billion at March 31, 2002. The decrease in the fiscal year ended March 31, 2002 primarily reflected a decrease in uncertainty in evaluation of collateral values primarily associated with specifically identified problem loans. At March 31, 2002, the effect of uncertainty in collateral valuation expected to bring potential variability in probable losses is incorporated in the measurement of allowance for specifically identified problem loans.

Allowance for Off-Balance-Sheet Credit Instruments

In addition to the allowance for credit losses on the loan portfolio, we maintain an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees and standby letters of credit. Such allowance is included in other liabilities. The allowance includes the specific allocated allowance for specifically identified credit exposure, the allocated formula allowance and the specific allowance for probable losses on guarantees by our trust banking subsidiaries. With regard to the specific allocated allowance for specifically identified credit exposure and the allocated formula allowance, we apply the same methodology that we in determining the allowance for loan credit losses. The allowance for off-balance-sheet credit instruments increased ¥46.3 billion from ¥56.3 billion at March 31, 2001 to ¥102.6 billion at March 31, 2002. The increase is due primarily to an increase in historical losses on our portfolio and further downgrading of customers' credits reflecting the current stagnant economic conditions. The increase also includes an additional provisions of ¥19.6 billion against loan commitments extended to WorldCom, Inc. that were drawn down shortly before the bankruptcy filing.

Investment Portfolio

Our investment securities primarily consist of marketable equity securities, Japanese national government and Japanese government agency bonds which are classified into available-for-sale securities. We have held marketable equity securities in order to create long-term relationships with issuer companies that are our customers. However, we announced our intention to seek to reduce our shareholdings in accordance with the law forbidding banks from holding stocks in excess of their primary capital after September 30, 2004.

Investment securities increased ¥1.47 trillion, or 6.7%, from ¥22.21 trillion at March 31, 2001 to ¥23.68 trillion at March 31, 2002, due to an increase in available-for-sale securities of ¥1.55 trillion.

Available-for-sale securities increased ¥1.55 trillion from ¥21.73 trillion at March 31, 2001 to ¥23.28 trillion at March 31, 2002. The increase in available-for-sale securities was primarily attributable to an increase of ¥1.93 trillion in Japanese national government and Japanese government agency bonds and an increase of ¥0.93 trillion in foreign governments and official institutions bonds. Under the rising interest rate environment on Japanese government bonds during the fourth quarter of the fiscal year ended March 31, 2002, we increased short-term and medium-term government bonds partially funded by increased deposits. As the spread between short- and long-term interest rates in foreign markets widened, we increased our holdings of medium- and long-term foreign governments and official institutions bonds by using funds that were raised with short-term borrowings. These increases were partly offset by a decrease in marketable equity securities of ¥1.16 trillion. The decrease in marketable equity securities reflected sales of certain marketable equity securities, declines in fair value of equity securities, and transfer of certain equity securities to employee retirement benefits trusts at the fair value of ¥0.13 trillion.

Net unrealized gains included in the investment portfolio were ¥2.55 trillion at March 31, 2001 and ¥1.93 trillion at March 31, 2002. These net unrealized gains related principally to Japanese marketable equity securities.

Interest-earning Deposits in Other Banks

Interest-earning deposits in other banks significantly fluctuate from day to day depending upon the volatility of financial markets. Interest-earning deposits in other banks at March 31, 2002 were ¥4.33 trillion, a decrease of ¥1.68 trillion, or 28.0%, from ¥6.01 trillion at March 31, 2001. The decrease in interest-earning deposits in other banks primarily reflected the low interest rate environment in interbank markets.

Trading Account Assets

Trading account assets at March 31, 2002 were ¥7.50 trillion, an increase of 0.36 trillion, or 5.0%, from ¥7.14 trillion at March 31, 2001. The increase was primarily attributable to an increase of ¥1.65 trillion in commercial paper, which was partially offset by a decrease in Japanese government, prefectual and municipal bonds.

Total Liabilities

At March 31, 2002, total liabilities were ¥91.74 trillion, an increase of ¥1.45 trillion, or 1.6%, from ¥90.29 trillion at March 31, 2001. This increase reflected increases of ¥3.55 trillion in total deposits and ¥0.31 trillion in short-term borrowings. The increase in total deposits was partially offset by a decrease of ¥1.14 trillion in debentures, and a decrease of ¥1.58 trillion in trading account liabilities (principally consisting of a ¥1.27 trillion decrease in short positions of trading securities).

The depreciation of the yen against the US dollars and other foreign currencies during the fiscal year ended March 31, 2002 increased the yen values for liabilities denominated in foreign currencies by approximately ¥2.31 trillion.

Deposits

Deposits are our primary source of funds. Total average deposits increased ¥3.74 trillion to ¥60.07 trillion in the fiscal year ended March 31, 2002, reflecting a ¥3.63 trillion increase in average domestic interest-bearing deposits and a ¥0.44 trillion increase in average domestic non-interest-bearing deposits, partially offset by a ¥0.57 trillion decrease in average foreign interest-bearing deposits. At March 31, 2002, domestic deposits increased ¥5.97 trillion to ¥51.92 trillion from ¥45.95 trillion at March 31, 2001, while foreign deposits decreased ¥2.41 trillion to ¥11.74 trillion. The increases in average domestic deposits in the fiscal year ended March 31, 2002 and in domestic deposits at March 31, 2002 resulted partly from the removal of the blanket deposit insurance, which led some depositors to transfer their deposits to more financially stable banks. Within the same bank, depositors have transferred deposits from accounts that do not qualify for full protection, such as time deposits, to accounts that qualify for full protection, such as ordinary deposits. Effective April 1, 2003, all deposits (principal and interest) exceeding ¥10 million will be outside the protection. As a result, we expect further movements in deposits among banks.

Short-term borrowings

We use short-term borrowings as a funding source and in our management of interest rate risk. Short-term borrowings include call money and funds purchased, payables under repurchase agreements, payables under lending transactions, due to trust account and other short-term borrowings. Total average short-term borrowings increased ¥1.14 trillion from ¥12.87 trillion in the fiscal year ended March 31, 2001 to ¥14.01 trillion in the fiscal year ended March 31, 2002. Total average domestic short-term borrowings increased ¥0.59 trillion and total average foreign short-term borrowings increased ¥0.56 trillion in the fiscal year ended March 31, 2002. These increases were principally due to increases in payables under repurchase agreements and lending transactions.

Long-term debt

Long-term debt increased ¥0.22 trillion from ¥4.96 trillion at March 31, 2001 to ¥5.18 trillion at March 31, 2002. During the fiscal year ended March 31, 2002, we raised an aggregate of ¥0.87 trillion and repaid ¥0.74 trillion of long-term debt, resulting in a net increase of ¥0.13 trillion. The other increase primarily reflected foreign exchange differences. We raised an aggregate of ¥0.24 trillion through issuance of subordinated debt and an aggregate of ¥0.63 trillion of long-term debt through unsubordinated debt.

Shareholders' Equity

At March 31, 2002, shareholders' equity was ¥2.63 trillion, a decrease of ¥0.57 trillion, or 18.0%, from ¥3.20 trillion at March 31, 2001. The decrease was due primarily to the ¥0.22 trillion net loss and other changes in equity from nonowner sources (other comprehensive loss) of ¥0.38 trillion, which primarily resulted from a decrease in net unrealized gains on investment securities.

Funding and Liquidity

Our primary source of liquidity is from a large balance of deposits, mainly ordinary deposits, certificates of deposit and time deposits. Time deposits have shown a historically high rollover rate among our corporate customers and individual depositors. These fundings provide us with a sizable source of stable and low-cost funds. While more than 55% of certificates of deposits and time deposits mature within three months, we continuously monitor relevant interest rate characteristics of these funds and utilize asset and liability management procedures to manage the possible impact of the rollovers on our net interest margin. Our average deposits, combined with average shareholders' equity, funded 63.7% of our average total assets of ¥92.4 trillion during the year ended March 31, 2002.

Also, Bank of Tokyo-Mitsubishi issued debentures to corporate and individual customers in Japan until March 31, 2002, which was the last date such the debentures were permitted to be issued. Although Mitsubishi Trust Bank maintains separate accounts for its trust and banking business, funds from trust accounts (presented as due to trust account) are also available for lending purposes. Most of the remaining funding was provided by short-term borrowings and long-term senior and subordinated debt. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, and other short-term borrowings. From time to time, we have issued long-term instruments such as straight bonds with mainly three to five years' maturity. See ''Selected Statiscal Data—I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential.''

Liquidity may also be provided by the sale of financial assets, including securities available for sale, trading account securities, and certain loans. Additional liquidity may be provided by maturity of loans.

In connection with our plan to sell down our strategic equity investments, we have commenced the process of reducing our holdings of strategic equity investments, primarily through sales in the market. To implement that plan, we are also evaluating and implementing alternative strategies that facilitate the sale of our equity holdings, such as the transfers of certain holdings to an existing exchange traded fund and the Bank's Shareholding Purchase Corporation. Our access to liquidity from sales of strategic equity investments and other equity securities is dependent on market conditions at the time of each sale. We do not, however, anticipate that we will be dependent on sales of equity securities for liquidity.

Contractual Cash Obligations

The following table shows a summary of our contractual cash obligations at March 31, 2002:

	Payments due by period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total
			(in billions)		
Contractual cash obligations:					
Long-term debt	¥542	¥1,100	¥ 970	¥2,542	¥5,154
Capital lease obligations	6	11	9	4	30
Operating leases	24	42	30	48	144
Total	¥572	¥1,153	¥1,009	¥2,594	¥5,328

Other Commitments, Including Off-balance Sheet Credit-related Commitments

We have issued certain credit-related off-balance-sheet financial instruments. These instruments include commitments to extend credit, standby letters of credit, a variety of guarantees and commercial letters of credit to meet the financing needs of our customers. The following table summarizes off-balance sheet credit-related commitments and other commitments at March 31, 2002:

	Amount of commitment expiration per period				
	Less than 1 year	1-3 years	4-5 years	Over 5 years	Total
			(in billions)		
Credit-related commitments:					
Commitments to extend credits	¥24,568	¥2,555	¥1,442	¥ 802	¥29,367
Standby letters of credit and other guarantees	2,579	1,328	731	657	5,295
Guarantees for repayments of trust principals	722	1,732	987	—	3,441
Commercial letters of credit	378	—	—	—	378
Total credit-related commitments	28,247	5,615	3,160	1,459	38,481
Other commitments	1,334	—	—	—	1,334
Total	¥29,581	¥5,615	¥3,160	¥1,459	¥39,815

Since many of these commitments expire without being drawn upon, the total credit-related commitment amounts do not necessarily represent future cash requirements.

Transfer of Marketable Equity Securities

In addition to the sales in the stock markets, we sold our marketable equity securities to the Special Account of the Banks' Shareholdings Purchase Corporation and used the Exchange Traded Funds (ETFs) in the fiscal year ended March 31, 2002.

Transfers to the Banks' Shareholdings Purchase Corporation

As discussed in "Recent Developments- Limitations on Cross-shareholdings and Establishment of the Banks' Shareholdings Purchase Corporation," we sold our marketable equity securities with an aggregate market value of ¥20.6 billion to the Special Account, but we have not transferred any stocks to the General Account in the fiscal year ended March 31, 2002. At March 31, 2002, our net aggregate preferred contributions to the General Account amounted to ¥2.0 billion, our net aggregate subordinated contributions to the Special Account amounted to ¥1.7 billion, and we had loans receivable of ¥35.6 billion from the Special Account which were originated at market terms.

Transfers of marketable equity securities to the General Account, if any, are accounted for as secured borrowings, since the control over the securities is not surrendered to the Purchase Corporation. Transfers of securities to the Special Account are accounted for as sales to the extent that consideration other than retained interests in the transferred assets is received in exchange. The subordinated contributions represent retained interests in the securities sold to the Special Account. However, because the subordinated contributions will share in the gains and losses from all securities sales by the Special Account over the life of the Purchase Corporation, a portion of the subordinated interests represent interests in new assets. At the time that we sell securities to the Special Account, we will determine the proportion of the fair value of the securities sold to the fair value of all securities held by the Special Account. If the proportion is greater than 10% of the fair value of all securities held by the Special Account, then we will account for the subordinated interest as a partial sale and a partial retained interest. If the proportion is less than 10% of the fair value of all securities held by the Special Account, we will account for the subordinated interest as a part of the sales proceeds. The fair value of securities sold to the Special Account did not reach the 10% threshold, and we therefore accounted for the related subordinated contributions as sales proceeds in the fiscal year ended March 31, 2002.

Transfers to Exchange Traded Fund

In addition to the transfers to the Purchase Corporation, we transferred marketable equity securities to an exchange traded fund in the fiscal year ended March 31, 2002. We concurrently entered into sales agreements for marketable equity securities and purchase agreements for the fund units of the exchange traded fund with a securities company. As the exchange traded funds are linked to TOPIX, we sold to the exchange traded funds units that are listed on the First Section of the Tokyo Stock Exchange. The exchange traded fund established by the securities company's affiliate holds the stocks that we sold. In the fiscal year ended March 31, 2002, we sold to the securities company marketable equity securities with an aggregate acquisition cost of ¥326 billion for ¥392 billion, and concurrently purchased from the securities company the fund units at the market price of ¥528 billion. During the fiscal year ended March 31, 2002, most of the fund units that we purchased were subsequently sold in to the market. Since the stocks that we sold accounted for a majority in the stocks of the exchange traded fund at the time of sale and purchase, we accounted for our remaining holdings of exchange traded fund units with a market value of ¥91 billion at March 31, 2002 as retained interests.

Off-Balance Sheet Arrangements

In the normal course of business, we are engaged in several types of off-balance-sheet financial arrangements, some of which call for and rely on activities of special purpose entities in the performance of the arrangements. These arrangements involving special purpose entities include, but are not limited to, disposals of non-performing assets to remove such assets from our balance sheet, repackaging of existing financial instruments to create other investments for customers that otherwise would not be readily available in the market, and securitizations of our customers' assets for their off-balance sheet treatments.

Disposals of Non-Performing Assets

We conduct several types of sales transactions to liquidate our non-performing assets from our consolidated balance sheet. Although the transactions are structured as "loan assignments" to third party investors without involving securitization features, some utilize special purpose entities as their purchasing entities. These special purpose entities are fully owned and controlled by third parties, and are generally organized as limited liability companies or corporations. In some cases, we continue to have certain post-sales involvements with these special purpose entities, where we may provide back-up lending to the special purpose entities on a limited-recourse basis, or act as a servicer for the special purpose entities with servicing fees determined on an arms-length basis.

The limited-recourse lending to these special purpose entities is generally structured with recourse to the assets sold to the special purpose entities, as well as to the collateralized cash reserve. Additionally, in certain cases, the investors are required to infuse additional equity into the special purpose entities in order to repay our loans. As part of our credit assessment process, we regularly monitor the collectibility of these non-recourse loans to the special purpose entities, based on an assessment of the underlying assets.

In the fiscal year ended March 31, 2002, we sold non-performing loans with an aggregate net book value of ¥2.3 billion to the special purpose entities for ¥0.8 billion, recognizing ¥1.5 billion of losses on the sales. At March 31, 2002, the total assets of such special purpose entities were ¥4.7 billion, and the total liabilities of the special purpose entities were ¥3.5 billion.

In addition, we have participated in a corporate recovery fund through a *tokumei kumiai* agreement, which is similar to a limited partnership agreement in the United States, in the fiscal year ended March 31, 2002. The principal business purpose of the corporate recovery fund is corporate restructurings. The corporate recovery fund purchases non-performing loans from others or us and in some cases acquires majority ownership in the borrower companies by a means of debt-for-equity swaps. The corporate recovery fund maintains the investment in a borrower until it completes the restructuring of the borrowers' business. The corporate recovery fund is organized as a limited partnership, and a wholly-owned subsidiary of an independent fund management company acts as a general partner who administers and manages the corporate recovery fund. We have participated in the corporate recovery fund through the *tokumei kumiai* without voting rights and made contributions of ¥0.4 billion, or 44.9% of total contributions to the corporate recovery fund.

At March 31, 2002, the total assets of the corporate recovery fund were approximately ¥0.9 billion. During the fiscal year ended March 31, 2002, we sold non-performing loans with net book value of ¥0.3 billion to the corporate recovery fund for ¥0.3 billion. At March 31, 2002, in accordance with the *tokumei kumiai* agreement, we have committed to make additional contributions of up to ¥8.8 billion when required by the corporate recovery fund. Our possible loss from our investment in the corporate recovery fund is limited to the amount of our contributions.

Repackaging and Creation of Marketable Financial Instruments for Customers' Needs

We have repackaged certain financial instruments through special purpose entities to create new financial instruments with different features, using derivative instruments, which match our customers' needs and preferences.

One of our European subsidiaries is active in repackaging debt instruments through special purpose entities. We purchase bonds, loans or other financial assets which we believe are under-valued in the market due to their irregular cash flows and/or any other irregular features. We transfer those assets to the special purpose entities that repackage the assets to create debt instruments with Euro-market-standard features, including standard cash flows. We enter into interest rate or currency swaps with the special purpose entities to change the irregular cash flows into standard cash flows. We then underwrite and market the new debt instruments to our customers.

We have written put options to a few special purpose entities which give them options to put any bonds back to us in case of default of the bonds included in their assets and receive predetermined cash flows from us. The majority of risks derived from these options, including our exposure to default of the bonds, are effectively hedged with third parties in the market and, therefore, a default on any of the bonds would not have a significant impact on us, except for the impact arising from our exposure on the unhedged portion.

We have accounted for the transfers of bonds to the special purpose entities as sales, with the special purpose entities' put options being recorded at fair value.

In the fiscal year ended March 31, 2002, we transferred debt instruments with a fair value of ¥54.0 billion to the special purpose entities. At March 31, 2002, the total assets and liabilities of the special purpose entities were each ¥233.8 billion. At March 31, 2002, we had an aggregate exposure of ¥134.9 billion with respect to the special purpose entities' put options exercisable upon default of the bonds included in the assets of the special purpose entities. Related interest rate or currency swaps with the special purpose entities, which were hedged by transactions with third parties, were accounted for as trading account assets. Related gains or losses are reflected in our consolidated financial statements as net trading account profit or loss.

Securitization of Customers' Financial Assets

In the normal course of business, we provide our customers with opportunities for asset-backed financing and support our customers through facilitating their access to the asset-backed securities market, including the commercial paper market.

Typically, we encourage our customers to sell their trade receivables to special purpose entities, which in turn issue commercial paper. Because the only assets of a special purpose entity are trade receivables that provide the cash flows for the commercial paper, the commercial paper is called asset-backed CP. The asset-backed CP typically carries a maturity of one to six months, which approximates the terms of the underlying trade receivables that will provide funds for repayment.

At present, we financially support the special purpose entities with the provision of liquidity facilities in amounts equal to the outstanding balances of asset-backed CP to assure redemption of asset-backed CP. The liquidity facilities are to be used in the event of any disruption in the commercial paper market and/or to manage mismatches in cash flows existing between the redemption of asset-backed CP and the collection of the trade receivables. In addition, the liquidity facilities may be used for the purpose of credit enhancement to protect any future loss arising from credit deterioration in the portfolio in the special purpose entities.

Our credit enhancement of liquidity facility arrangements exposes us to the risk of losses on any default of receivables held by the special purpose entities. This risk is managed and monitored through our internal credit approval process.

We also act as a dealer for the asset-backed CP programs to distribute asset-backed CP in the capital markets. We underwrite the asset-backed CP and sell primarily to the institutional investors. We often hold asset-backed CP in our trading account portfolio before we market them to third party investors.

We may act as a lender of non-recourse loans to special purpose entities collateralized by the assets transferred from the customers. We are exposed to the risk of a loss in case of default of the underlying assets. We have no right to recourse to any special purpose entities' assets other than the assets collateralizing our loans.

At March 31, 2002, the total assets of the special purpose entities were ¥3,012.9 billion and the total liabilities of the special purpose entities were ¥3,011.0 billion. Our fees and commissions for arrangements and commitment fees were ¥7.7 billion for the fiscal year ended March 31, 2002. At March 31, 2002, we provided liquidity and credit enhancement of ¥1,906.4 billion which is available for the redemption of outstanding asset-backed CP. At March 31, 2002, we, however, held asset-backed CP amounting to ¥1,330.7 billion in our portfolio of trading securities. At March 31, 2002, our extended non-recourse loans to the special purpose entities amounted to ¥317.3 billion.

Securitization of Customers' Real Property

In the course of providing trust and related fiduciary services, we bring solutions to our customers who seek financing for their real property and seek to remove it from their balance sheets through securitization or other means. In such securitization transactions, the customer is the originator of the securitization and the seller of beneficial certificates collateralized by real property.

Under a typical off-balance sheet arrangement of real property, we set up a real estate management trust, which issues beneficial certificates to the originator in exchange for the real property transferred by the originator. We provide fiduciary and administrative services to the trust. The originator sells its beneficial certificates to a special purpose entity, which may be organized as a limited liability partnership or corporation often funded by a charitable trust organized in accordance with Cayman legislation. The special purpose entity's assets are financed by equity investments and asset-backed financing, including loans and securities collateralized by the beneficial certificates. We have no equity investments in such special purpose entities; however, we may hold asset-backed securities in our available-for-sale portfolio and extend asset-backed loans to special purpose entities on a non-recourse basis, which finance special purpose entity purchases and holding of beneficial certificates. We provide clerical services as manager of some of the special purpose entities.

Customers may achieve the same objective by selling their real property to real estate investment trusts ("REITs"), which are organized as corporations the shares of which are traded on exchanges. The REITs are established by independent third parties and we do not have equity investments in the REITs; however, we extend non-recourse loans to finance the REITs' real properties purchases.

Under the non-recourse loans, we have exposure to the risk of loss when a delinquency in lease payments occurs due to the worsening financial condition of tenants. In addition, an impairment loss may arise from a significant decline in value of real property. As we have no right of recourse to any special purpose entities' assets other than the assets and cash reserve collateralizing our loans, we may incur credit losses on the non-recourse loans.

At March 31, 2002, the total assets and total liabilities of REITs were ¥326.3 billion and ¥152.3 billion, respectively, and the total assets and total liabilities of other special purpose entities engaged in securitizations of real property were ¥526.8 billion and ¥526.7 billion, respectively. At March 31, 2002, we had non-recourse loans of ¥62.3 billion to the special purpose entities other than REITs and held an available-for-sale portfolio of asset-backed securities issued by the special purpose entities, amounting to ¥6.5 billion. We also extended non-recourse loans to REITs of ¥23.8 billion at March 31, 2002. We manage credit risks on these non-recourse loans by complying with our lending policies and by monitoring the collectibility of non-recourse loans to the special purpose entities regularly based on our self-assessment practice of loans.

Non-exchange Traded Contracts Accounted for at Fair Value

The use of non-exchange traded or over-the-counter contracts provides us with the ability to adapt to the varied requirements of a wide customer base while efficiently mitigating market risks. Non-exchange traded contracts are accounted for at fair value, which is generally based on pricing models or quoted market prices for instruments with similar characteristics. These contracts are primarily crude oil commodity contracts or weather derivatives. The following table summarizes the changes in fair value of non-exchange traded contracts for the fiscal year ended March 31, 2002:

	Change in net fair value—unrealized gains (losses)
	(in millions)
Net fair value of contract outstandings at March 31, 2001	¥ (606)
Change attributable to contracts realized or otherwise settled during the fiscal year	2,530
Fair value of new contracts entered into during the fiscal year	(9)
Other changes in fair value, principally revaluation at March 31, 2002	(2,483)
Net fair value of contract outstandings at March 31, 2002	¥ (568)

The following table summarizes the maturities of non-exchange traded contracts at March 31, 2002:

	Net fair value of contracts—unrealized gains (losses)	
	Prices actively quoted	Prices based on models and other valuation methods
	(in millions)	
Maturity less than 1 year	¥(1,082)	¥113
Maturity less than 3 years	(4)	237
Maturity less than 5 years	16	163
Maturity 5 years or more	(11)	—
Net fair values-net	¥(1,081)	¥513

Capital Resources

The following table presents a summary of our shareholders' equity:

	At March 31,		
	2000	2001	2002
	(in billions)		
Preferred stock	¥ 222.1	¥ 222.1	¥ 222.1
Common stock	856.7	856.7	873.2
Capital surplus	838.0	831.1	850.8
Retained earnings	608.5	492.9	248.1
Accumulated other changes in equity from nonowner sources	1,642.8	907.4	523.3
Less treasury stock, at cost	(153.7)	(108.9)	(91.0)
Total shareholders' equity	¥4,014.4	¥3,201.3	¥2,626.5
Ratio of total shareholders' equity to total assets	4.72%	3.42%	2.78%

Total shareholders' equity decreased ¥574.8 billion from ¥3,201.3 billion at March 31, 2001 to ¥2,626.5 billion at March 31, 2002, and the ratio of total shareholders' equity to total assets also showed a decrease of 0.64 points from 3.42% at March 31, 2001 to 2.78% at March 31, 2002. The decrease in total shareholders' equity in the fiscal year ended March 31, 2002, and the resulting decrease of the ratio to total assets, were principally attributable to a ¥375.0 billion decrease in net unrealized gains on investment securities available for sale, net of taxes recorded as part of accumulated other changes in equity from nonowner sources, and a ¥244.8 billion decrease in retained earnings.

Due to our holding a large amount of marketable Japanese equity securities and the volatility of the equity markets in Japan, changes in the fair value of marketable equity securities have significantly affected our shareholders' equity. The following table presents information relating to the accumulated net unrealized gains before tax effect in respect of marketable equity securities at March 31, 2000, 2001 and 2002:

	March 31,		
	2000	2001	2002
	(in billions)		
Accumulated net unrealized gains (in billions)	¥3,461	¥2,371	¥1,611
Accumulated net unrealized gains to total assets	4.07%	2.54%	1.71%

As discussed in "—Business Environment," the decrease in accumulated net unrealized gains on marketable equity securities at March 31, 2002 and losses from write-downs of investment securities for the year then ended was mainly due to declines in Japan's stock markets, which resulted in an increase in net unrealized holding losses in our available-for-sale portfolio and write-downs of investments reflecting other-than-temporary declines in value.

Capital Adequacy

We are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which we operate. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on our operating results and financial condition.

We and our Japanese subsidiary banks are subject to regulatory capital requirements administered by the Financial Services Agency in accordance with the provisions of the Banking Law. A banking institution is subject to minimum capital adequacy requirements both on a consolidated basis and on a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. The capital adequacy guidelines adopted by the Financial Services Agency applicable to Japanese banks with international operations generally follow the risk-weighted approach proposed by the Basel Committee on Banking and Supervisory Practices of the Bank for International Settlements. The guidelines involve quantitative credit measures of the assets and certain off-balance-sheet items as calculated under Japanese GAAP. In addition, a banking institution engaged in certain qualified trading activities is required to calculate an additional capital charge for market risk using either the institution's own internal risk measurement model or a standardized process proposed and defined by the Bank for International Settlements. Under Financial Services Agency guidelines, capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Our Tier I capital generally consists of shareholders' equity items, including common stock, Class 1 and Class 2 non-cumulative preferred stocks, capital surplus and retained earnings, but recorded goodwill is deducted from the Tier I capital. Tier II generally consists of general reserves for credit losses, 45% of the unrealized gains on investment securities available for sale, 45% of the land revaluation excess and the balance of subordinated term debt with an original maturity of over five years, up to 50% of Tier I capital. Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital ratio must be maintained in the form of Tier I capital.

In the United States, UnionBancal Corporation and its banking subsidiary, Union Bank of California, N.A., our largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by U.S. Federal banking agencies, including minimum capital requirements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, they must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under U.S. regulatory accounting practices. Their capital amounts and prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

We continually monitor our risk-adjusted capital ratio closely and manage our operations in consideration of the capital ratio requirements. These ratios are affected not only by fluctuations in the value of our assets, including our marketable securities, real estate assets and deferred tax assets, but also by fluctuations in the value of the yen against the US dollar and other currencies and general price levels of Japanese equity securities. Moreover, additional credit costs under Japanese GAAP negatively affect our capital ratios. Recent declines in stock prices and real estate values, and increased credit costs have negatively affected our capital ratios.

For a more detailed discussion of the Financial Services Agency's risk-based capital guidelines and how we seek to comply with them, see "Supervision and Regulation—Japan—Capital Adequacy."

Mitsubishi-Tokyo Financial Group Ratios

The table below presents our consolidated risk-based capital, risk-adjusted assets, and risk-based capital ratios at March 31, 2001 and 2002 (underlying figures are calculated in accordance with Japanese GAAP as required by the Financial Services Agency):

	March 31, 2001(1)	March 31, 2002	Minimum capital ratios required
	(in billions, except percentages)		
Capital components:			
Tier I capital	¥ 3,339.2	¥ 3,181.1	
Tier II capital	3,150.3	3,145.3	
Total risk-based capital	6,367.7	6,220.5	
Risk-weighted assets	62,715.8	60,335.8	
Capital ratios:			
Tier I capital	5.32%	5.27%	4.00%
Total risk-based capital	10.15	10.30	8.00

(1) Represents combined figures before any adjustments including elimination of transactions and balances between Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank at March 31, 2001.

Our total risk-based capital ratio, calculated under Japanese GAAP, increased 0.15% from 10.15% at March 31, 2001 to 10.30% at March 31, 2002. The increase in capital ratio was primarily due to a reduction in risk-weighted assets, which was partially offset by net loss in the fiscal year ended March 31, 2002.

Subsidiary Banks in Japan

The table below presents the risk-based capital ratios of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank at March 31, 2001 and 2002 (underlying figures are calculated in accordance with Japanese GAAP as required by the Financial Services Agency):

	March 31, 2001	March 31, 2002	Minimum capital ratios required
Consolidated capital ratios:			
Bank of Tokyo-Mitsubishi:			
Tier I capital	4.94%	5.25%	4.00%
Total risk-based capital	9.69	10.29	8.00
Mitsubishi Trust Bank:			
Tier I capital	6.89	6.23	4.00
Total risk-based capital	12.06	10.83	8.00
Stand-alone capital ratios:			
Bank of Tokyo-Mitsubishi:			
Tier I capital	5.70	5.19	4.00
Total risk-based capital	11.28	10.37	8.00
Mitsubishi Trust Bank:			
Tier I capital	6.55	6.25	4.00
Total risk-based capital	11.80	10.90	8.00

At March 31, 2002, management believes that our Japanese subsidiary banks are in compliance with capital adequacy requirements.

Subsidiary Banks in the United States

The table below presents the risk-based capital ratios of UnionBanCal and Union Bank of California at December 31, 2000 and 2001:

	December 31, 2000	December 31, 2001	Minimum capital ratios required	Ratios OCC requires to be "well capitalized"
UnionBanCal:				
Tier I capital (to risk-weighted assets)	10.24%	11.47%	4.00%	—
Tier I capital (to quarterly average assets)	10.19	10.53	4.00	—
Total capital (to risk-weighted assets)	12.07	13.35	8.00	—
Union Bank of California:				
Tier I capital (to risk-weighted assets)	9.47%	10.63%	4.00%	6.00%
Tier I capital (to quarterly average assets)	9.24	9.69	4.00	5.00
Total capital (to risk-weighted assets)	11.01	12.19	8.00	10.00

Management believes that, as of December 31, 2001, UnionBanCal and Union Bank of California met all capital adequacy requirements to which they are subject.

As of December 31, 2000 and 2001, Union Bank of California was categorized as "well capitalized" under the regulatory framework for prompt corrective action in accordance with the notification from the U.S. Office of the Comptroller of the Currency ("OCC"). To be categorized as "well capitalized," Union Bank of California must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed Union Bank of California's category.

Euro

On January 1, 2002, the final conversion of 12 European currencies into actual euro notes and coins was completed, and from March 1, 2002, old currencies are no longer accepted. Our operational systems and procedures are now Euro compliant. The process of achieving this compliance has not resulted in significant costs to us.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information.

See "Item 5.A. Operating and Financial Review and Prospects—Operating Results" above.

Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

The following table sets forth the members of our board of directors and executive officers as of July 10, 2002, together with their respective dates of birth and positions.

Name	Date of Birth	Position at MTFG	Previous or Current Position
Akio Utsumi	September 7, 1942	Director, Chairman and Co-Chief Executive Officer	President of Mitsubishi Trust Bank
Shigemitsu Miki	April 4, 1935	Director, President and Chief Executive Officer	President of Bank of Tokyo-Mitsubishi
Hiroshi Watanabe	January 14, 1941	Senior Managing Director and Chief Planning Officer	Former Senior Managing Director of Bank of Tokyo-Mitsubishi
Setsuo Uno	April 29, 1942	Senior Managing Director and Chief Risk Management Officer	Former Managing Director of Bank of Tokyo-Mitsubishi
Tadahiko Fujino	September 25, 1943	Senior Managing Director and Chief Financial Officer	Former Senior Managing Director of Mitsubishi Trust Bank
Tatsunori Imagawa	October 15, 1943	Director	Senior Managing Director of Bank of Tokyo-Mitsubishi
Hajime Sugizaki	April 3, 1945	Director	Senior Managing Director of Mitsubishi Trust Bank
Katsunori Nagayasu	April 6, 1947	Director	Managing Director of Bank of Tokyo-Mitsubishi
Ryotaro Kaneko	June 20, 1941	Director	President of Meiji Life Insurance Company
Kunio Ishihara	October 17, 1943	Director	President of the Tokio Marine & Fire Insurance Co., Ltd. President of Millea Holdings, Inc.

The following is a brief biography of each of our directors and executive officers:

Akio Utsumi has been a director and the chairman of the board of directors and co-chief executive officer since April 2001. He has also been the president of Mitsubishi Trust Bank since June 1999. Mr. Utsumi served as deputy president of Mitsubishi Trust Bank from June 1998 to June 1999 and as a senior a managing director of Mitsubishi Trust Bank from June 1995 to June 1998. Mr. Utsumi has served as director of Mitsubishi Trust Bank since June 1991.

Shigemitsu Miki has been the chief executive officer since April 2002, prior to which he was co-chief executive officer from April 2001 to April 2002. He has been a director and the president since April 2001. He has also been the president of Bank of Tokyo-Mitsubishi since June 2000. He served as a deputy president of Bank of Tokyo- Mitsubishi from May 1997 to June 2000 and as a senior managing director of Bank of Tokyo-Mitsubishi from June 1994 to May 1997. Mr. Miki has served as a director of Bank of Tokyo-Mitsubishi since June 1986.

Hiroshi Watanabe has been a senior managing director and chief planning officer since April 2001. Before that date, he served as a senior managing director of Bank of Tokyo-Mitsubishi since June 2000. Mr. Watanabe served as a managing director of Bank of Tokyo-Mitsubishi from June 1995 to June 2000. He has served as a director of Bank of Tokyo-Mitsubishi since June 1992.

Setsuo Uno has been a senior managing director and chief risk management officer since April 2001. Before that date, he served as a managing director of Bank of Tokyo-Mitsubishi since May 1997. Mr. Uno has served as a director of Bank of Tokyo-Mitsubishi since June 1992.

Tadahiko Fujino has been a senior managing director and chief financial officer since April 2001. Before that date, he served as a senior managing director of Mitsubishi Trust Bank since April 2000. Mr. Fujino served as a managing director of Mitsubishi Trust Bank from June 1997 to April 2000. Mr. Fujino has served as a director of Mitsubishi Trust Bank since June 1994.

Tatsunori Imagawa has been a director since April 2001. He has also been the senior managing director of Bank of Tokyo-Mitsubishi since June 2002. He served as a managing director of Bank of Tokyo-Mitsubishi from May 1997 to June 2002. Mr. Imagawa has served as a director of Bank of Tokyo-Mitsubishi since June 1993.

Hajime Sugizaki has been a director since April 2001. He has also been the senior managing director of Mitsubishi Trust Bank since June 2001. He served as a managing director of Mitsubishi Trust Bank since June 1999. Mr. Sugizaki served as director of Mitsubishi Trust Bank since June 1997.

Katsunori Nagayasu has been a director since April 2001. He has also been the managing director of Bank of Tokyo-Mitsubishi since June 2002. He served as a managing director of Nippon Trust Bank Limited since June 2000. Nippon Trust Bank subsequently merged into Mitsubishi Trust Bank, and Mr. Nagayasu served as a managing director of Mitsubishi Trust Bank since October 2001. Mr. Nagayasu had served as a director of Bank of Tokyo-Mitsubishi from June 1997.

Ryotaro Kaneko has been a director since April 2001. He has also been the current president of Meiji Life Insurance Company since April 1998. He served as a senior managing director of Meiji Life Insurance from April 1997 to April 1998, and served as a managing director of Meiji Life Insurance from April 1994 to April 1997.

Kunio Ishihara has been a director since June 2002. He has also been the president of The Tokio Marine & Fire Insurance Company, Limited since June 2001. Mr. Ishihara has also been the president of Millea Holdings, Inc. since April 2002.

The following table sets forth are our corporate auditors as of July 10, 2002, together with their respective dates of birth and positions.

Name	Date of Birth	Position at MTFG	Previous or Current Position
Yoshikazu Takagaki	July 2, 1942	Corporate Auditor	Corporate Auditor of Bank of Tokyo-Mitsubishi
Yousuke Serizawa	September 9, 1943	Corporate Auditor	Corporate Auditor of Mitsubishi Trust Bank
Takashi Uno	November 1, 1941	Corporate Auditor	Corporate Auditor of Bank of Tokyo-Mitsubishi
Mitsuo Minami	November 5, 1933	Corporate Auditor	Corporate Auditor of Bank of Tokyo-Mitsubishi Professor, Department of Business Administration, Bunkyo Gakuin University (Former Chairman & Chief Executive Officer of Tohmatsu & Co.)
Takeo Imai	January 29, 1942	Corporate Auditor	Attorney-at-law

Yoshikazu Takagaki has been a corporate auditor since April 2001. He has also been a corporate auditor of Bank of Tokyo-Mitsubishi since June 1997. Mr. Takagaki served as a director of Bank of Tokyo-Mitsubishi from June 1992 to June 1997.

Yousuke Serizawa has been a corporate auditor since April 2001. He has also been a corporate auditor of Mitsubishi Trust Bank since June 1999. Mr. Serizawa served as a director of Mitsubishi Trust Bank from June 1995 to June 1999.

Takashi Uno has been a corporate auditor since April 2001. He has also been a corporate auditor of Bank of Tokyo-Mitsubishi since June 1998. Mr. Uno served as a director of Bank of Tokyo-Mitsubishi from June 1994 to June 1998.

Mitsuo Minami has been a corporate auditor since April 2001. He has also been a corporate auditor of Bank of Tokyo-Mitsubishi since June 2001. He has also been a professor of the department of Business Administration at Bunkyo Gakuin University since April 1999. Mr. Minami served as chairman and chief executive officer of Tohmatsu & Co. from May 1995 to May 1997.

Takeo Imai has been a corporate auditor since April 2001. He has been a partner of the law firm, Miyake, Imai & Ikeda since January 1972.

The board of directors, executive officers and corporate auditors may be contacted through our headquarters at Mitsubishi Tokyo Financial Group, Inc., 10-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006, Japan.

Our current directors and corporate auditors were elected by the annual general meetings of shareholders held on June 27, 2002. Generally, all directors and corporate auditors are elected at the general meeting of shareholders. The regular term of office of a director is two years and of a corporate auditor is four years from the date of assumption of office. However, the term of office of a corporate auditor beginning before the close of the general meeting of shareholders to be held in June 2003 is three years. Directors and corporate auditors may serve their terms until the close of the annual general meeting of shareholders held in the last year of their terms. Directors and corporate auditors may serve any number of consecutive terms. There is no regular term of office for corporate officers.

B. Compensation

An aggregate of ¥350 million was paid by Mitsubishi Tokyo Financial Group and its subsidiaries as remuneration, including bonuses but excluding retirement allowances, during the year ended March 31, 2002 to our directors and corporate auditors (including remuneration as corporate officers of subsidiaries).

In accordance with customary Japanese business practice, when a director or corporate auditor retires, a proposal to pay a retirement allowance is submitted at the annual general meeting of shareholders for approval. After the shareholders' approval is obtained, the retirement allowance for a director or corporate auditor is fixed by the board of directors or by consultation among the corporate auditors, respectively, in accordance with our internal regulations and practice and generally reflects the position of the director or corporate auditor at the time of retirement, the length of his service as a director or corporate auditor and his contribution to our performance. Mitsubishi Tokyo Financial Group does not set aside reserves for any such retirement payments to the directors and corporate auditors. During the fiscal year ended March 31, 2002, none of our directors or corporate auditors retired and, accordingly, no retirement allowances were paid during this period.

We have not implemented a stock option plan. Mitsubishi Tokyo Financial Group does not have a pension foundation, although each of Bank of Tokyo-Mitsubishi and Mitsubishi Trust Bank does have a pension foundation.

As of July 10, 2002, our directors held the following number of shares of our common stock:

Directors	Number of Shares registered
Akio Utsumi	10
Shigemitsu Miki	38
Hiroshi Watanabe	32
Setsuo Uno	22
Tadahiko Fujino	11
Tatsunori Imagawa	20
Hajime Sugizaki	9
Katsunori Nagayasu	2
Ryotaro Kaneko	—
Kunio Ishihara	—

C. Board Practices

Our articles of incorporation provide for a board of directors of not more than fifteen members and not more than six corporate auditors. Currently, the number of directors is ten. Our corporate officers are responsible for executing our business operations, and our directors oversee these officers and set our fundamental strategies.

The board of directors has ultimate responsibility for the administration of our affairs. The board of directors is empowered to appoint by resolution representative directors from among the directors who may represent us severally. The board of directors may also appoint from their members by resolution a chairman, a president, deputy presidents, senior managing directors and managing directors. Senior managing directors and the managing directors assist the president and deputy presidents in the management of our day-to-day business. All of our executive officers are currently directors.

Under the Commercial Code of Japan, directors must refrain from engaging in any business competing with us unless approved by a board resolution, and no director may vote on a proposal, arrangement or contract in which that director is deemed to be materially interested.

Neither the Commercial Code nor our articles of incorporation contain special provisions as to the borrowing power exercisable by a director, to the retirement age of our directors and corporate auditors, or to a requirement of our directors and corporate auditors to hold any shares of our capital stock.

The Commercial Code requires a resolution of the board of directors for a company to acquire or dispose of material assets, to borrow substantial amounts of money, to employ or discharge important employees such as executive officers, and to establish, change or abolish material corporate organizations such as a branch office.

We currently have five corporate auditors, including two external corporate auditors. The corporate auditors, who are not required to be and are not certified public accountants, have various statutory duties, including principally:

- the examination of the financial statements, the business reports, proposals and other documents which the board of directors prepares and submits to the general meeting of shareholders;
- the examination of the administration of the affairs by the directors; and
- the preparation and submission of a report on their examination to the general meeting of shareholders.

Corporate auditors are obliged to attend and make statements at meetings of the board of directors if they deem necessary, although they are not entitled to vote at the meetings. The Commercial Code provides that there may not be less than three corporate auditors. One or more corporate auditors, who are required to serve on a full-time basis, must be designated by the corporate auditors from among their members. At least one of the corporate auditors must be a person who has not been an employee or a director of us or any of our subsidiaries within the previous five years. After the close of the annual general meeting of shareholders to be held in June 2006, at least half of the corporate auditors must be an "external corporate auditor" who has not been an employee or a director of us or any of our subsidiaries.

For additional information on board practices, see "Item 6.A. Directors, Senior Management and Employees—Directors and Senior Management."

D. Employees

As of March 31, 2002 we had 43,020 employees. The following tables show the percentages of our employees in our different business units and geographically, as of March 31, 2002. Most of our employees are members of our employee's union, which negotiates on behalf of employees in relation to remuneration and working conditions.

Business unit	
Bank of Tokyo-Mitsubishi:	
Retail Banking and Commercial Banking	27%
Global Corporate Banking	14%
Investment Banking	6%
UnionBanCal Corporation	22%
Operation Services	4%
Treasury	2%
Other units	7%
Mitsubishi Trust Bank:	
Trust-Banking	6%
Trust Assets	2%
Real Estate	1%
Global Markets	2%
Administration and subsidiaries	8%
	100%

Location	
Bank of Tokyo-Mitsubishi:	
Japan	46%
United States	24%
Europe	2%
Asia/Oceania excluding Japan	7%
Other areas	1%
Mitsubishi Trust Bank:	
Japan	18%
United States	1%
Europe	0%
Asia/Oceania excluding Japan	0%
	100%

E. Share Ownership

The information required by this item is set forth in “Item 6.B. Directors, Senior Management and Employees—Compensation.”

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:

Name	Number of shares held	Percentage of total shares in issue
Meiji Life Insurance Company	232,531	4.04%
Japan Trustee Services Bank, Ltd.(1)	219,042	3.81
The Mitsubishi Trust and Banking Corporation(1)	169,362	2.94
Nippon Life Insurance Company	163,770	2.85
The Bank of Tokyo-Mitsubishi, Ltd.	128,111	2.23
The Tokio Marine and Fire Insurance Co., Ltd.	124,330	2.16
Mitsubishi Heavy Industries, Ltd.(2)	118,740	2.06
Hero & Co.(3)	114,631	1.99
The Dai-ichi Mutual Life Insurance Company	111,854	1.94
UFJ Trust Bank Limited(1)	109,031	1.89

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

(2) The shares held in a pension trust account with The Mitsubishi Trust and Banking Corporation, for the benefit of retirement plans with retained voting right by Mitsubishi Heavy Industries, Ltd.

(3) An owner of record for American Depositary Shares of the company.

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:

Name	Number of shares held	Percentage of total shares in issue
The Tokio Marine & Fire Insurance Co., Ltd.	16,700	20.51%
Mitsubishi Corporation	16,700	20.51
Meiji Life Insurance Company	16,700	20.51
Kirin Brewery Co., Ltd.	10,000	12.28
Asahi Glass Co., Ltd.	3,400	4.17
Diamond Lease Company Limited	3,400	4.17
Tokyu Corporation	3,400	4.17
Honda Motor Co., Ltd.	3,400	4.17
Mitsubishi Chemical Corporation	2,000	2.45
Mitsubishi Electric Corporation	1,700	2.08
Total	77,400	95.08%

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:

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

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.

	Price per share on the TSE		Translated into U.S. dollars per ADS(1)		Price per ADS on the NYSE	
	High	Low	High	Low	High	Low
	(yen)		(US$)		(US$)	
Fiscal year ended March 31, 2002						
First quarter	¥1,350,000(2)	¥970,000	$11.13(3)	$7.87	$11.27	$8.00
Second quarter	1,140,000	886,000	9.84	7.13	9.50	7.26
Third quarter	1,020,000	795,000	8.45	6.50	8.35	6.60
Fourth quarter	948,000	688,000	7.40	5.15	7.40	5.15
Fiscal year ending March 31, 2003						
March	948,000	790,000	7.40	5.95	7.40	6.05
April	915,000	780,000	7.00	5.85	7.14	5.91
May	1,010,000	845,000	8.21	6.57	8.16	6.63
June	1,060,000	770,000	8.52	6.43	8.42	6.20
July	925,000	791,000	7.80	6.60	7.64	6.53
August (through August 7)	839,000	787,000	6.97	6.61	6.90	6.50

(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 Depositary Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Japan Securities Depositary Center. All shares deposited with the Japan Securities Depositary Center will be registered in the name of the Japan Securities Depositary Center on our register of shareholders. Each participating shareholder will in turn be registered on our register of beneficial shareholders and be treated in the same way as shareholders registered on our register of shareholders. Delivery of share certificates is not required to transfer deposited shares. Entry of the share transfer in the books maintained by the Japan Securities Depositary Center for participating institutions, or in the books maintained by a participating institution for its customers, has the same effect as delivery of share certificates. This central clearing system is intended to reduce paperwork required in connection with transfers of shares. Beneficial owners may at any time withdraw their shares from deposit and receive share certificates.

Dividends

Dividends are distributed in proportion to the number of shares owned by each shareholder on the record date for the dividend, subject to the customary Japanese practice that in case of a newly issued share, a dividend is paid on a pro rata basis for the portion of a dividend period during which such share has been owned. 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 yoyakuken*), which in the U.S. are often in the form of warrants, or bonds with stock acquisition rights that cannot be detached (*shinkabu yoyakuken-tsuki shasai*), which in the U.S. are often in the form of convertible bonds or bonds with non-detachable warrants. Except where the issuance would be on "specially favorable" terms, the issuance of stock acquisition rights or bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may either acquire shares by paying the applicable exercise price or, if so determined by a resolution of the board of directors, by making a substitute payment, such as having the convertible bonds redeemed for no cash in lieu of the exercise price.

Liquidation Rights

Upon our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and preferred distributions to holders of shares of preferred stock will be distributed among the holders of our common stock in proportion to the number of shares they own.

Transfer Agent

Mitsubishi Trust Bank is the transfer agent for our common stock. The office of Mitsubishi Trust Bank for this purpose is located at 11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo, 100-8212, Japan. Mitsubishi Trust Bank maintains our register of shareholders and records transfers of record ownership upon presentation of share certificates.

Reports to Shareholders

We furnish to our shareholders notices, in Japanese, of shareholders' meetings, annual business reports, including our financial statements, and notices of resolutions adopted at our shareholders' meetings.

Record Dates and Closing of Shareholders' Register

As stated above, March 31 is the record date for the payment of annual dividends if any, and the determination of shareholders entitled to vote at ordinary general meetings of our shareholders. September 30 is the record date for the payment of interim dividends, if any. In addition, by a resolution of the board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date or close the shareholders' register temporarily, for a period not in excess of three months, in order to determine the shareholders who are entitled to the rights pertaining to the shares. The trading of shares and the delivery of certificates may continue even while the shareholders' register is closed.

Repurchase of Our Shares of Common Stock

We may repurchase our own shares:

- through the Tokyo Stock Exchange or other stock exchanges on which the shares are listed, if authorized by an ordinary resolution of an ordinary general meeting of shareholders,
- by way of a tender offer, if authorized by an ordinary resolution of an ordinary general meeting of shareholders,
- from a specific party, if authorized by a special resolution of an ordinary general meeting of shareholders, or
- from subsidiaries, if authorized by a resolution of the board of directors.

When the repurchase is made by us from a specific party, as authorized by a special resolution of an ordinary meeting of shareholders, any shareholder may make a demand to a director, five days or more prior to the relevant shareholders' meeting, that we also repurchase the shares held by that shareholder.

Any repurchase of our own shares from persons other than our subsidiaries must satisfy certain requirements, including that the total amount of the repurchase price may not exceed the amount of the retained earnings available for annual dividend payments after taking into account any reduction, if any, of the stated capital, additional paid-in capital or legal reserve (if such reduction of the stated capital, additional paid-in capital or legal reserve has been authorized pursuant to a resolution of the relevant ordinary general meeting of shareholders), minus the amount to be paid by way of appropriation of retained earnings for the relevant fiscal year and the amount to be transferred to stated capital. If we repurchase shares from subsidiaries, the total amount of the repurchase price may not exceed the amount of the retained earnings available for interim dividend payment minus the amount of interim dividend, if paid. If it is anticipated that the net assets on the balance sheet as at the end of the relevant fiscal year will be less than the aggregate amount of the stated capital, additional paid-in capital and other items as described in (1) through (6) in the second paragraph under "—Dividends" above, we may not repurchase our own shares.

We may hold our own shares so repurchased without restrictions. In addition, we may cancel or dispose of our own shares that we hold by a resolution of the board of directors. As of March 31, 2002, Mitsubishi Tokyo Financial Group (excluding its subsidiaries) owned 374.24 treasury shares.

Preferred Stock

The following is a summary of information concerning the shares of our preferred stock, including brief summaries of certain provisions of our articles of incorporation and share handling regulations and of the Commercial Code as currently in effect. The detailed rights of the preferred shares are set out in the articles of incorporation and the resolutions of the board of directors relating to the issuance of the relevant stock.

General

Under our articles of incorporation, we are authorized to issue four classes of preferred shares. The preferred shares have equal preference over shares of common stock in respect of dividend entitlements and distribution upon our liquidation, but holders of the preferred shares are not entitled to vote at general meetings of shareholders, subject to the exceptions provided under the Commercial Code. Currently, 81,400 shares of class 1 and 100,000 shares of class 2 preferred shares are outstanding, but class 3 and class 4 preferred shares are not outstanding. We may, at any time, purchase and redeem, at fair value, any shares of preferred stock outstanding out of earnings available for distribution to shareholders.

Class 1 and class 3 preferred shares are not convertible into our common stock but are redeemable at our discretion. We may redeem shares of class 1 preferred shares at ¥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 (1) from the commencement of our ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting or (2) from the close of our ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting until such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is passed.

American Depositary Shares

The Bank of New York will issue the American depositary receipts, or ADRs. Each ADR will represent ownership interests in American depositary shares, or ADSs. Each ADS represents one thousandth of a share of our common stock. Each ADS is held by Bank of Tokyo-Mitsubishi, acting as custodian, at its principal office in Tokyo, on behalf of The Bank of New York, acting as depositary. Each ADS will also represent securities, cash or other property deposited with The Bank of New York but not distributed to ADS holders. The Bank of New York's corporate trust office is located at 101 Barclay Street, New York, New York 10286 and its principal executive office is located at One Wall Street, New York, New York 10286, U.S.A.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Bank of New York will actually be the registered holder of the common stock, so you will have to rely on it to exercise your rights as a shareholder. Our obligations and the obligations of The Bank of New York are set out in a deposit agreement among us, The Bank of New York and you, as an ADS holder. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR.

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

ADR holders must pay:	For:
$5.00 (or less) per 100 ADSs (or portion thereof)	Each issuance of an ADS, including as a result of a distribution of shares or rights or other property
	Each cancellation of an ADS, including if the agreement terminates
$0.02 (or less) per ADSs	To the extent permitted by securities exchange on which the ADSs may be listed for trading any cash payment
Registration or transfer fees	Transfer and registration of shares on the share register of the foreign registrar from your name to the name of The Bank of New York or its agent when you deposit or withdraw shares
Expenses of The Bank of New York	Conversion of foreign currency to U.S. dollars Cable, telex and facsimile transmission expenses
Taxes and other governmental charges The Bank of New York or Bank of Tokyo-Mitsubishi, as custodian, have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADSs. The Bank of New York may refuse to transfer your ADSs or allow you to withdraw the deposited securities underlying your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADSs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations And Mergers

If we:

- reclassify, split up or consolidate any of our shares or the deposited securities,

- 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, Illiois 8066. 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.

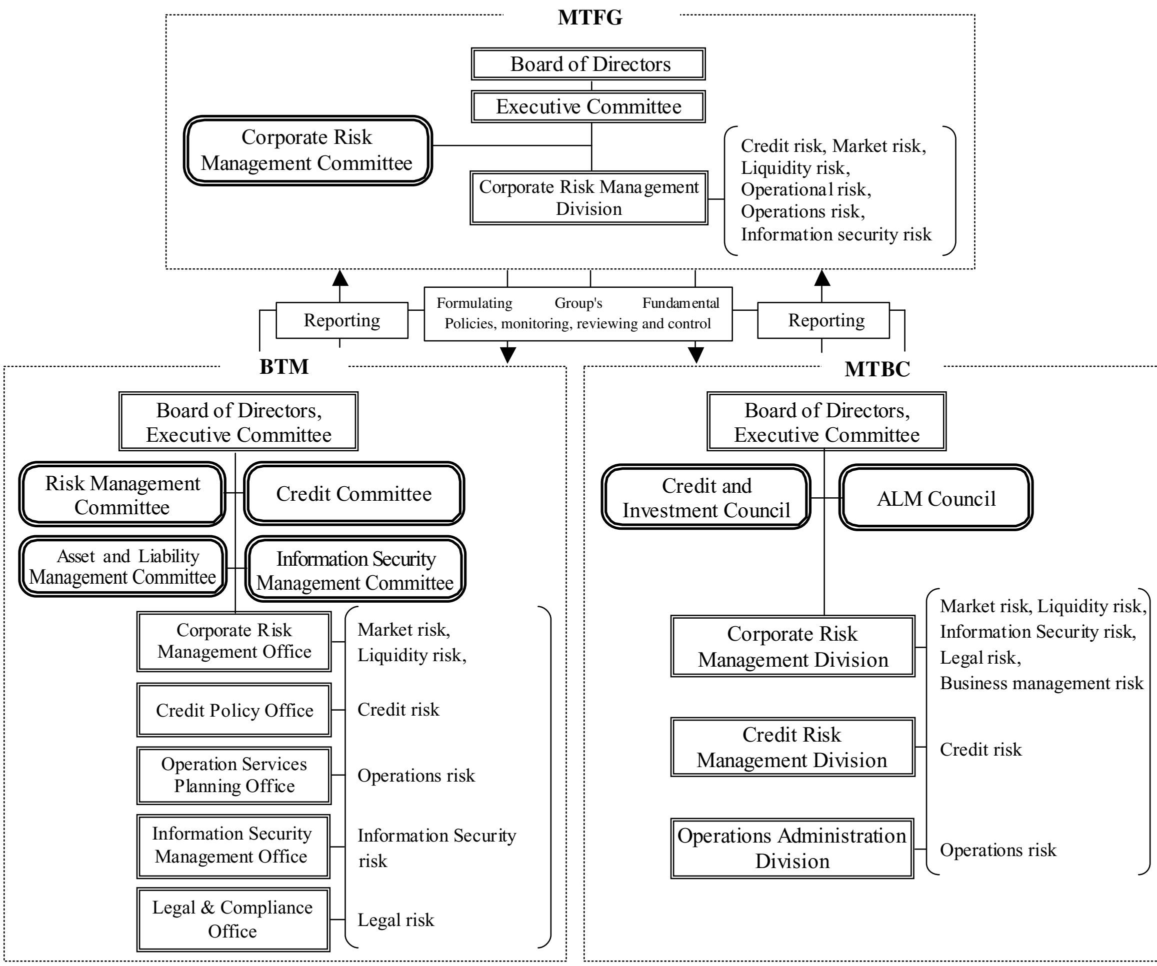
Rapid and extensive changes in the Japanese banking environment make risk management even more challenging. These changes result from economic and financial globalization and continuing advances in information technology. Our business opportunities are expanding and competition is increasing. We are 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 MTFG Group, to identify, quantify, control, monitor and manage risk using consistent standards and techniques in each of our businesses.

Risk Management System

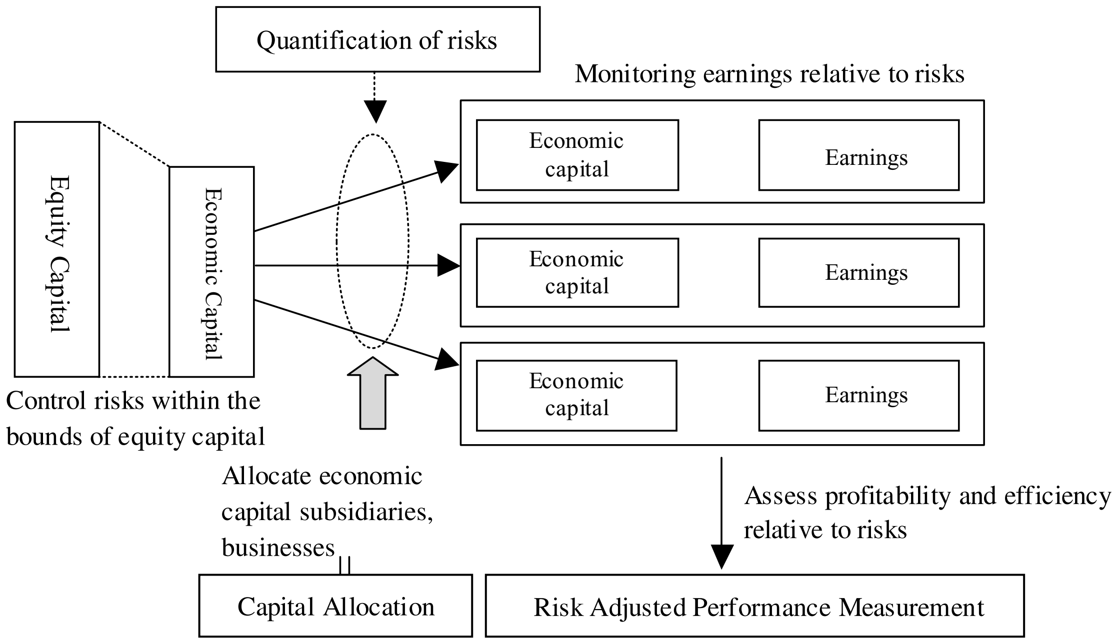
We determine our group-wide risk management policy at the holding company level, and our subsidiary banks implement the policy accordingly. Our board of directors is responsible for our group-wide risk management and control principles, and the boards of directors of our subsidiary banks are responsible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

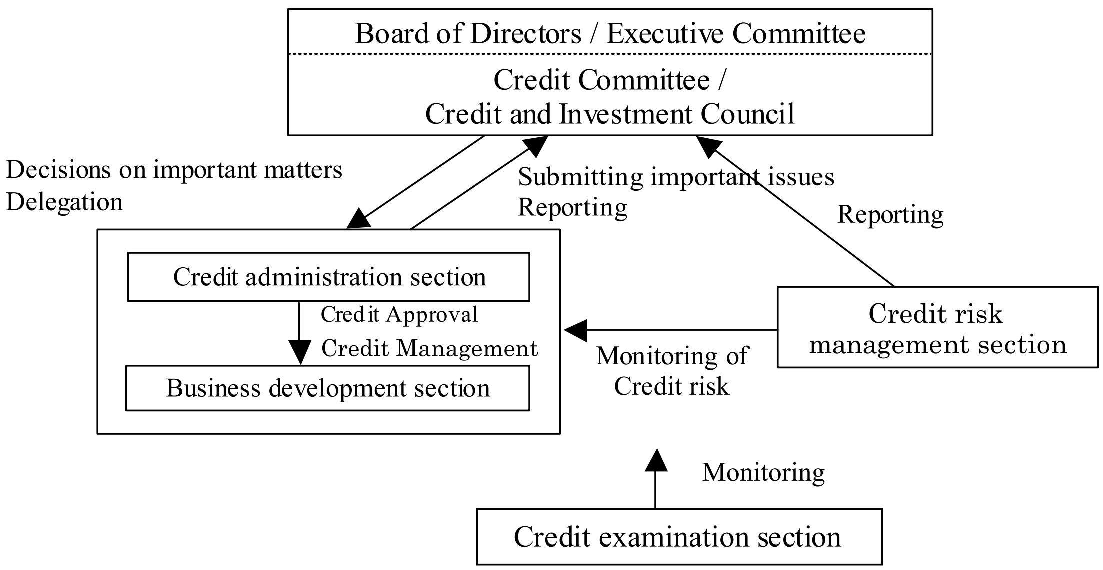
We have a specialized unit that sets credit ceilings by country to address and manage country risk. We regularly review these credit ceilings and adjust them when credit conditions change materially in any country.

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.

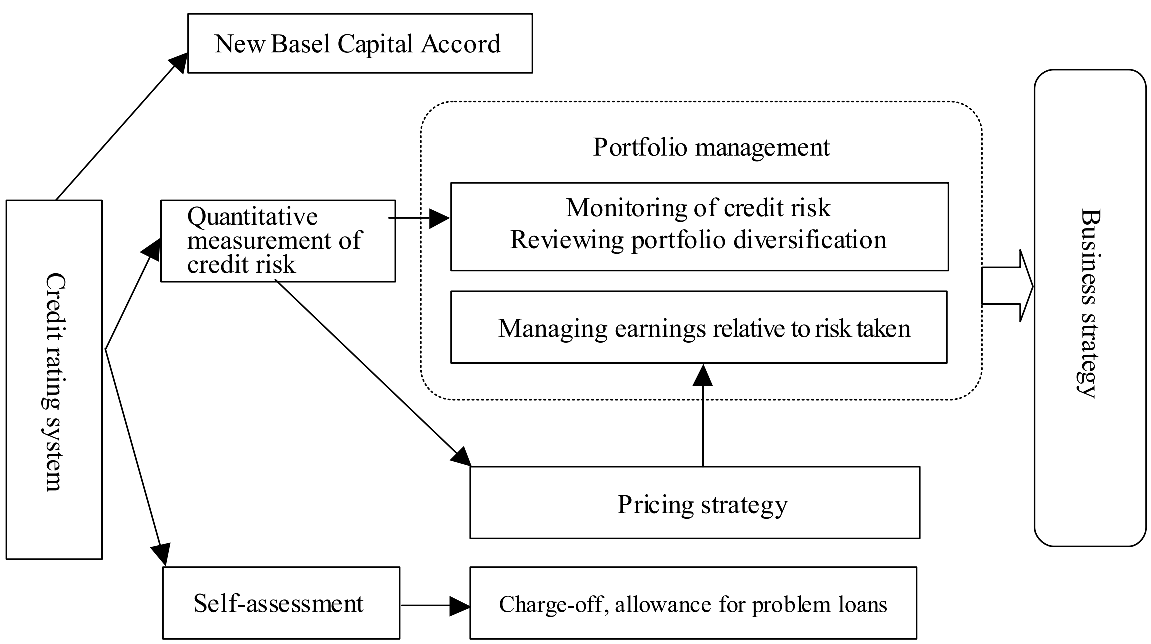
For adoption of the new credit rating system, in the fiscal year ended March 31, 2002, Bank of Tokyo-Mitsubishi increased by three credit ratings from the previous credit rating system, and Mitsubishi Trust Bank increased by one credit rating from the previous credit rating system. The change in credit 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.

	Credit rating				
	1- 9	**10 - 12**	**13**	**14**	**15**
Borrower grade	Normal	Close Watch(1)	Likely to Become Bankrupt(2)	Virtually Bankrupt(3)	Bankrupt(3)

(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

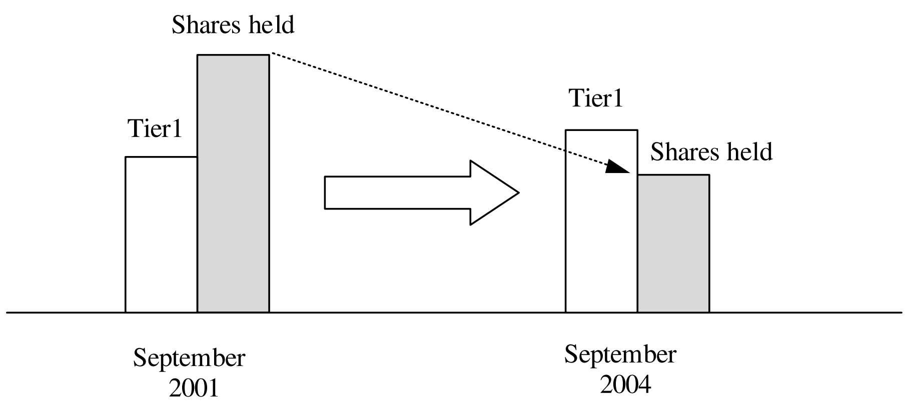
Through our banking subsidiaries, we hold shares in some of our clients for strategic purposes, in particular to maintain long-term relationships with these clients. These investments have the potential to increase business revenues and to appreciate in value.

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.

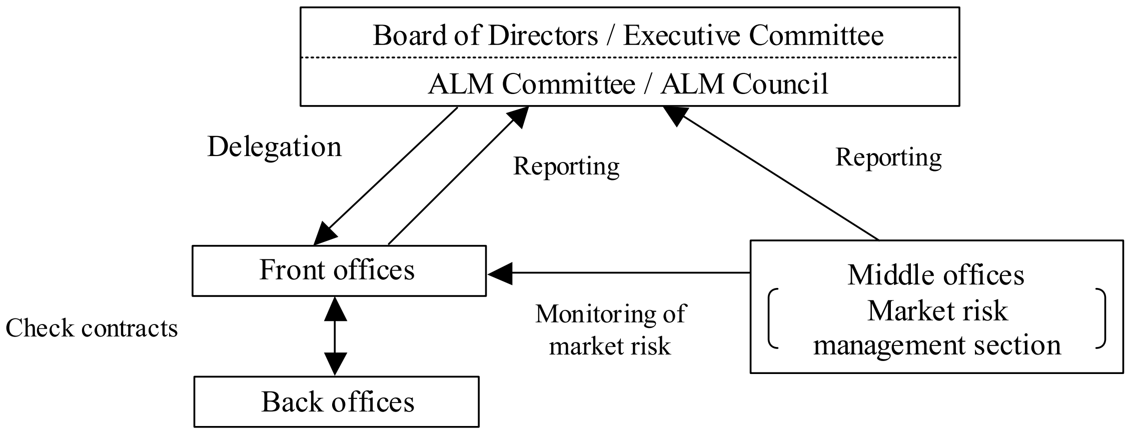
Market Risk Management System

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.

Our subsidiary banks have established quantitative limits to market risks based on allocated economic capital. In addition, in order to keep losses within a predetermined limit, our subsidiary banks have established a loss-cut rule which sets limits for the maximum amounts of losses arising from market activities.



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.

VaR for Trading Activities (April 2001-March 2002)(1) (¥ billions)

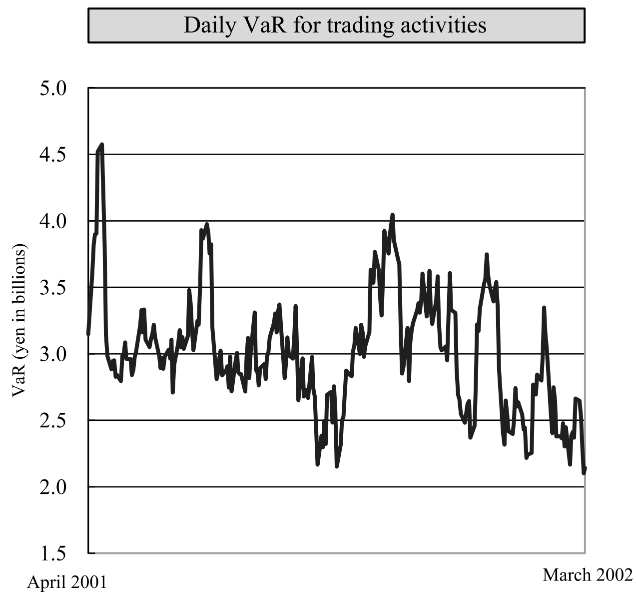
Risk category	Daily average	High	Low	At March 31, 2002	At March 31, 2001 (reference)
Interest rate	¥ 1.90	¥3.29	¥1.09	¥ 1.18	¥ 1.78
Of which, yen	0.96	1.70	0.46	0.79	0.84
Of which, U.S. dollar	0.89	1.85	0.30	0.44	0.75
Foreign exchange	0.69	1.79	0.20	0.41	0.43
Equities	0.78	1.52	0.45	0.75	0.96
Commodities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

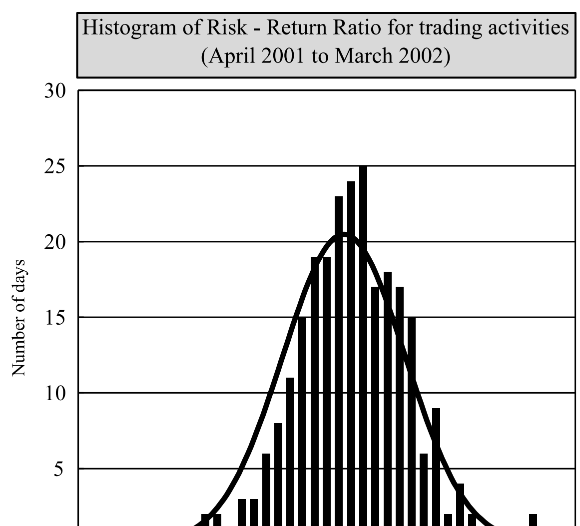
(1) Based on a one-day holding period, with a confidence interval of 99% based on three years of historical data. The highest and lowest VaRs were taken from different days. Simple summation of VaRs by risk category is not equal to total VaR due to the effect of diversification.

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

Quarter	Daily average VaR
April – June 2001	¥3.26 billion
July – September 2001	¥2.85 billion
October – December 2001	¥3.23 billion
January – March 2002	¥2.72 billion

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.

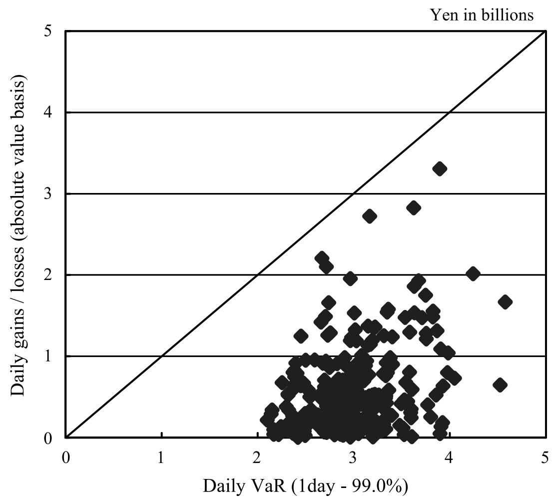




Backtesting

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.

Backtesting for trading activities
(April 2001 to March 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

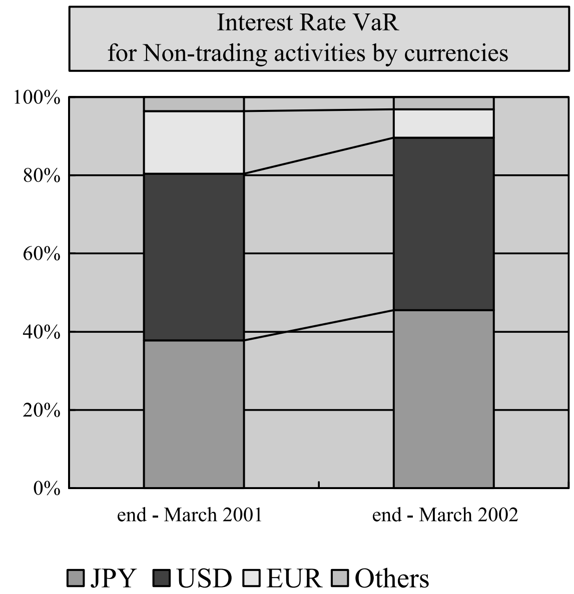
VaR for our total non-trading activities as of March 31, 2002, excluding market risks related to strategic equity investment and measured using the same standard as used for trading activities, was ¥27.47 billion. After converting foreign currency-denominated assets in Argentina to pesos, as required 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:

Quarter	Daily average VaR
April – June 2001	¥25.24 billion
July – September 2001	¥22.60 billion
October – December 2001	¥25.19 billion
January – March 2002	¥25.04 billion

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.



Note: Composition of interest rate VaR (1day - 99.0%) by currency

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.

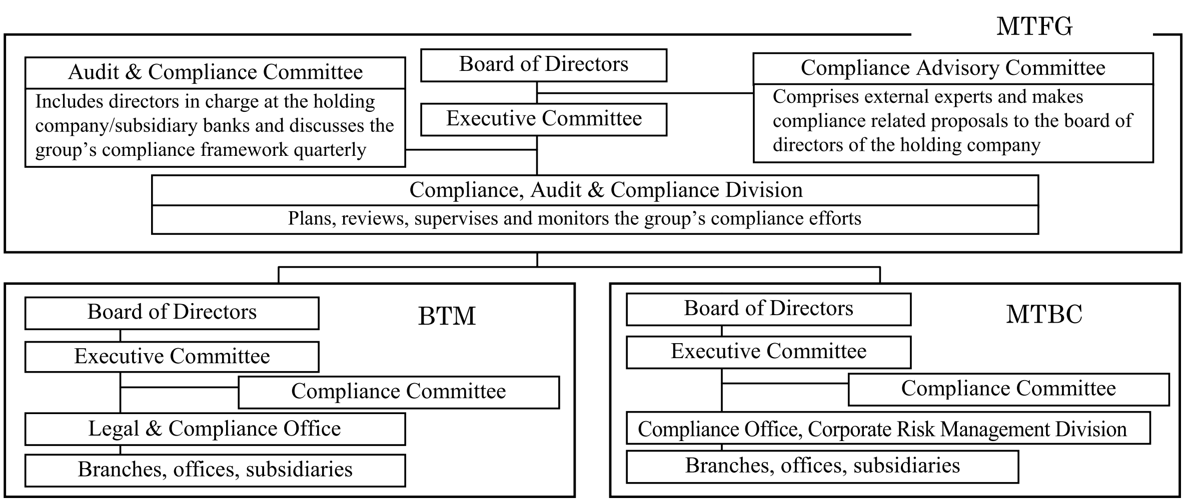
Operational Risk Management

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.

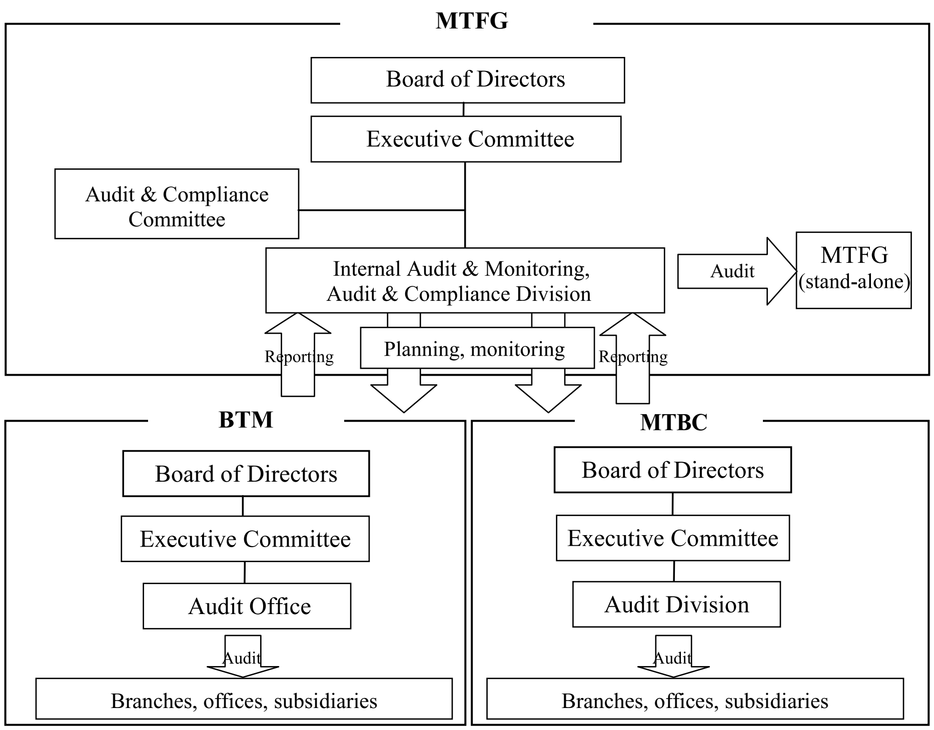


Internal Audit

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.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications of the Rights of Security Holders and Use of Proceeds.

None.

Item 15. [Reserved]

Item 16. [Reserved]

PART III

Item 17. Financial Statements.

In lieu of responding to this item, we have responded to Item 18 of this Annual Report.

Item 18. Financial Statements.

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this Annual Report.

Item 19. Exhibits.

Exhibit	Description
1(a)	Articles of Incorporation of Mitsubishi Tokyo Financial Group, Inc., as amended on June 27, 2002.
1(b)	Corporation Meetings Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on April 2, 2001.
1(c)	Board of Directors Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on June 27, 2002.
1(d)	Share Handling Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on June 27, 2002.
2(a)	Form of stock certificates.
2(b)	Form of American Depositary Receipt.*
2(c)	Deposit Agreement, dated as of April 2, 2001, among Mitsubishi Tokyo Financial Group, Inc., The Bank of New York and the holders from time to time of American Depositary Receipts issued thereunder.*
2(d)	Indenture dated as of October 11, 1995 between MBL International Finance (Bermuda) Trust, The Mitsubishi Bank, Limited and The Bank of New York, and First Supplemental Indenture dated as of April 2, 2001 between MBL International Finance (Bermuda) Trust, The Bank of Tokyo-Mitsubishi, Ltd. (as successor to The Mitsubishi Bank, Limited), Mitsubishi Tokyo Financial Group, Inc. and The Bank of New York.
4(a)	Plan of Reorganization for business combination by and among Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank.
4(b)	Merger Agreement, dated as of April 8, 2002, among KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd., Tokyo-Mitsubishi Personal Securities Co., Ltd. and Issei Securities Co., Ltd.
8	Subsidiaries of the Company—see “Item 4.C. Organizational Structure”.
10(a)	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Incorporated by reference from the Registration Statement on Form F-6 (Reg. No. 333-13338) filed on April 2, 2001.

SELECTED STATISTICAL DATA

Due to close integration of foreign and domestic activities, it is difficult to make a precise determination of assets, liabilities, income and expenses of our foreign operations. The foreign operations as presented include the business conducted by overseas subsidiaries and branches, and the international business conducted by the several international banking related divisions of subsidiaries' head quarters and offices in Japan. Our management believes that the results appropriately represent our domestic and foreign activities.

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

Average Balance Sheets, Interest and Average Rates

The following table shows our average balances, interest and average interest rates for the last three fiscal years. Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages. The average balances determined by such methods are considered to be representative of our operations.

	Year ended March 31,								
	2000			2001			2002		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(in millions except percentages)								
Assets:									
Interest-earning assets:									
Interest-earning deposits in other banks:									
Domestic	¥ 284,958	¥ 7,223	2.53%	¥ 402,084	¥ 14,013	3.49%	¥ 472,188	¥ 8,690	1.84%
Foreign	3,986,517	129,107	3.24	5,275,074	222,613	4.22	4,862,738	151,094	3.11
Total	4,271,475	136,330	3.19	5,677,158	236,626	4.17	5,334,926	159,784	3.00
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic	2,152,650	7,923	0.37	2,473,617	11,454	0.46	2,008,863	6,341	0.32
Foreign	1,856,035	111,447	6.00	2,620,118	173,050	6.60	2,895,879	159,478	5.51
Total	4,008,685	119,370	2.98	5,093,735	184,504	3.62	4,904,742	165,819	3.38
Trading account assets:									
Domestic	2,157,629	7,010	0.32	2,676,732	12,541	0.47	3,165,218	11,525	0.36
Foreign	625,533	8,696	1.39	607,061	4,413	0.73	720,614	3,619	0.50
Total	2,783,162	15,706	0.56	3,283,793	16,954	0.52	3,885,832	15,144	0.39
Investment securities (see Note 1):									
Domestic	15,813,885	164,655	1.04	15,684,644	128,838	0.82	16,142,601	128,352	0.80
Foreign	3,974,410	235,511	5.93	4,090,733	239,843	5.86	5,794,882	271,041	4.68
Total	19,788,295	400,166	2.02	19,775,377	368,681	1.86	21,937,483	399,393	1.82
Loans (see Note 2):									
Domestic	41,942,695	780,633	1.86	39,938,817	748,113	1.87	38,035,043	661,904	1.74
Foreign	10,371,711	713,438	6.88	9,627,502	728,096	7.56	11,094,350	614,917	5.54
Total	52,314,406	1,494,071	2.86	49,566,319	1,476,209	2.98	49,129,393	1,276,821	2.60
Total interest-earning assets:									
Domestic	62,351,817	967,444	1.55	61,175,894	914,959	1.50	59,823,913	816,812	1.37
Foreign	20,814,206	1,198,199	5.76	22,220,488	1,368,015	6.16	25,368,463	1,200,149	4.73
Total	83,166,023	2,165,643	2.60	83,396,382	2,282,974	2.74	85,192,376	2,016,961	2.37
Non-interest-earning assets:									
Cash and due from banks	1,362,465			1,272,323			1,487,867		
Other non-interest-earning assets	3,911,447			6,152,635			7,423,316		
Allowance for credit losses	(1,819,290)			(1,479,857)			(1,727,559)		
Total non-interest-earning assets	3,454,622			5,945,101			7,183,624		
Total average assets	¥86,620,645			¥89,341,483			¥92,376,000		

Notes:

1. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.
2. Average balances on loans outstanding include all nonaccrual and restructured loans. See "III. Loan Portfolio." The amortized portion of net loan origination fees (costs) is included in interest income on loans, representing an adjustment to the yields with insignificant impact.

	Year ended March 31,								
	2000			2001			2002		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(in millions except percentages)								
Liabilities and shareholders' equity:									
Interest-bearing liabilities:									
Deposits:									
Domestic	¥41,147,676	¥ 209,104	0.51%	¥41,178,462	¥ 245,180	0.60%	¥44,807,025	¥ 157,484	0.35%
Foreign	11,244,201	391,003	3.48	11,552,974	529,332	4.58	10,982,859	328,159	2.99
Total	52,391,877	600,107	1.15	52,731,436	774,512	1.47	55,789,884	485,643	0.87
Debentures—Domestic	4,931,852	51,718	1.05	3,915,720	32,285	0.82	2,931,103	20,491	0.70
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:									
Domestic	2,756,197	13,014	0.47	4,074,516	66,475	1.63	5,392,511	23,944	0.44
Foreign	2,392,563	112,443	4.70	3,127,256	194,210	6.21	3,603,909	176,396	4.89
Total	5,148,760	125,457	2.44	7,201,772	260,685	3.62	8,996,420	200,340	2.23
Due to trust account—Domestic	4,181,966	32,413	0.78	4,023,941	27,825	0.69	2,940,975	16,683	0.57
Other short-term borrowings and trading account liabilities:									
Domestic	2,738,601	41,590	1.52	2,125,283	18,173	0.86	2,071,577	15,784	0.76
Foreign	849,927	42,759	5.03	874,676	19,057	2.18	1,001,886	30,783	3.07
Total	3,588,528	84,349	2.35	2,999,959	37,230	1.24	3,073,463	46,567	1.52
Long-term debt:									
Domestic	1,904,487	69,810	3.67	2,730,602	91,182	3.34	3,007,228	89,028	2.96
Foreign	2,418,698	122,272	5.06	2,146,354	86,899	4.05	2,010,632	80,311	3.99
Total	4,323,185	192,082	4.44	4,876,956	178,081	3.65	5,017,860	169,339	3.37
Total interest-bearing liabilities:									
Domestic	57,660,779	417,649	0.72	58,048,524	481,120	0.83	61,150,419	323,414	0.53
Foreign	16,905,389	668,477	3.95	17,701,260	829,498	4.69	17,599,286	615,649	3.50
Total	74,566,168	1,086,126	1.46	75,749,784	1,310,618	1.73	78,749,705	939,063	1.19
Non-interest-bearing liabilities	8,454,881			10,127,448			10,580,687		
Shareholders' equity	3,599,596			3,464,251			3,045,608		
Total average liabilities and shareholders' equity	¥86,620,645			¥89,341,483			¥92,376,000		
Net interest income and average interest rate spread		¥1,079,517	1.14%		¥ 972,356	1.01%		¥1,077,898	1.18%
Net interest income as a percentage of average total interest-earning assets			1.30%			1.17%			1.27%

The percentage of average total assets attributable to foreign activities was 26.3%, 28.7% and 33.6%, respectively, in the fiscal years ended March 31, 2000, 2001 and 2002.

The percentage of average total liabilities attributable to foreign activities was 27.5%, 29.9% and 33.9% in the fiscal years ended March 31, 2000, 2001 and 2002.

Analysis of Net Interest Income

The following table shows changes in our net interest income between changes in volume and changes in rate for the fiscal year ended March 31, 2000 compared to the fiscal year ended March 31, 2001 and the fiscal year ended March 31, 2001 compared to the fiscal year ended March 31, 2002.

	Fiscal year ended March 31, 2000 versus fiscal year ended March 31, 2001			Fiscal year ended March 31, 2001 versus fiscal year ended March 31, 2002		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in millions)					
Interest income:						
Interest-earning deposits in other banks:						
Domestic	¥ 3,551	¥ 3,239	¥ 6,790	¥ 1,290	¥ (6,613)	¥ (5,323)
Foreign	48,258	45,248	93,506	(13,690)	(57,829)	(71,519)
Total	51,809	48,487	100,296	(12,400)	(64,442)	(76,842)
Call loans, funds sold, and receivables under resale agreements and securities borrowing transactions:						
Domestic	1,293	2,238	3,531	(1,694)	(3,419)	(5,113)
Foreign	49,569	12,034	61,603	15,186	(28,758)	(13,572)
Total	50,862	14,272	65,134	13,492	(32,177)	(18,685)
Trading account assets:						
Domestic	1,949	3,582	5,531	1,779	(2,795)	(1,016)
Foreign	(138)	(4,145)	(4,283)	570	(1,364)	(794)
Total	1,811	(563)	1,248	2,349	(4,159)	(1,810)
Investment securities (see Note 2):						
Domestic	(1,070)	(34,747)	(35,817)	3,641	(4,127)	(486)
Foreign	6,820	(2,488)	4,332	79,707	(48,509)	31,198
Total	5,750	(37,235)	(31,485)	83,348	(52,636)	30,712
Loans:						
Domestic	(37,296)	4,776	(32,520)	(34,132)	(52,077)	(86,209)
Foreign	(51,192)	65,850	14,658	81,302	(194,481)	(113,179)
Total	(88,488)	70,626	(17,862)	47,170	(246,558)	(199,388)
Total interest income:						
Domestic	(31,573)	(20,912)	(52,485)	(29,116)	(69,031)	(98,147)
Foreign	53,317	116,499	169,816	163,075	(330,941)	(167,866)
Total	¥ 21,744	¥ 95,587	¥117,331	¥133,959	¥(399,972)	¥(266,013)

Notes:

1. Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."
2. Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

	Fiscal year ended March 31, 2000 versus fiscal year ended March 31, 2001			Fiscal year ended March 31, 2001 versus fiscal year ended March 31, 2002		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in millions)					
Interest expense:						
Deposits:						
Domestic	¥ 157	¥ 35,919	¥ 36,076	¥ 12,753	¥(100,449)	¥ (87,696)
Foreign	11,009	127,320	138,329	(17,840)	(183,333)	(201,173)
Total	11,166	163,239	174,405	(5,087)	(283,782)	(288,869)
Debentures—Domestic	(9,490)	(9,943)	(19,433)	(7,688)	(4,106)	(11,794)
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:						
Domestic	8,717	44,744	53,461	5,852	(48,383)	(42,531)
Foreign	39,951	41,816	81,767	23,330	(41,144)	(17,814)
Total	48,668	86,560	135,228	29,182	(89,527)	(60,345)
Due to trust account—Domestic	(1,125)	(3,463)	(4,588)	(6,987)	(4,155)	(11,142)
Other short-term borrowings and trading account liabilities:						
Domestic	(6,348)	(17,069)	(23,417)	(418)	(1,971)	(2,389)
Foreign	539	(24,241)	(23,702)	3,069	8,657	11,726
Total	(5,809)	(41,310)	(47,119)	2,651	6,686	9,337
Long-term debt:						
Domestic	27,586	(6,214)	21,372	8,189	(10,343)	(2,154)
Foreign	(11,953)	(23,420)	(35,373)	(5,483)	(1,105)	(6,588)
Total	15,633	(29,634)	(14,001)	2,706	(11,448)	(8,742)
Total interest expense:						
Domestic	19,497	43,974	63,471	11,701	(169,407)	(157,706)
Foreign	39,546	121,475	161,021	3,076	(216,925)	(213,849)
Total	¥ 59,043	¥165,449	¥ 224,492	¥ 14,777	¥(386,332)	¥(371,555)
Net interest income:						
Domestic	¥(51,070)	¥ (64,886)	¥(115,956)	¥ (40,817)	¥ 100,376	¥ 59,559
Foreign	13,771	(4,976)	8,795	159,999	(114,016)	45,983
Total	¥(37,299)	¥ (69,862)	¥(107,161)	¥119,182	¥ (13,640)	¥ 105,542

Note—Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total “net change.”

II. Investment Portfolio

The following table shows information as to the value of our investment securities available for sale and being held to maturity at March 31, 2000, 2001 and 2002.

	At March 31,								
	2000			2001			2002		
	Amortized cost	Estimated Market Value	Net unrealized gains (losses)	Amortized cost	Estimated market value	Net unrealized gains	Amortized cost	Estimated market value	Net unrealized gains
					(in millions)				
Securities available for sale:									
Domestic:									
Japanese national government and Japanese government agency bonds	¥ 5,211,110	¥ 5,241,473	¥ 30,363	¥ 7,940,554	¥ 8,018,687	¥ 78,133	¥ 9,887,613	¥ 9,951,250	¥ 63,637
Corporate bonds	1,099,260	1,294,239	194,979	1,263,076	1,283,096	20,020	1,341,079	1,353,028	11,949
Marketable equity securities	4,238,216	7,666,605	3,428,389	4,145,826	6,483,719	2,337,893	3,695,451	5,279,562	1,584,111
Other securities	505,341	518,236	12,895	459,380	469,988	10,608	844,695	854,358	9,663
Total domestic	11,053,927	14,720,553	3,666,626	13,808,836	16,255,490	2,446,654	15,768,838	17,438,198	1,669,360
Foreign:									
U.S. Treasury and other U.S. government agencies bonds	488,368	479,869	(8,499)	723,624	738,957	15,333	1,007,414	1,031,942	24,528
Other governments and official institutions bonds	787,631	788,037	406	1,131,873	1,153,331	21,458	1,753,882	1,790,712	36,830
Mortgage-backed securities	1,071,523	1,056,743	(14,780)	2,110,821	2,135,756	24,935	1,455,274	1,523,026	67,752
Other securities	596,444	626,969	30,525	1,403,352	1,447,381	44,029	1,371,013	1,498,938	127,925
Total foreign	2,943,966	2,951,618	7,652	5,369,670	5,475,425	105,755	5,587,583	5,844,618	257,035
Total	¥13,997,893	¥17,672,171	¥3,674,278	¥19,178,506	¥21,730,915	¥2,552,409	¥21,356,421	¥23,282,816	¥1,926,395
Securities being held to maturity:									
Domestic:									
Japanese national government and Japanese government agency bonds	¥ 120,536	¥ 120,617	¥ 81	¥ 114,489	¥ 120,118	¥ 5,629	¥ 89,945	¥ 94,266	¥ 4,321
Corporate bonds	206,790	210,492	3,702	—	—	—	—	—	—
Other securities	87,062	87,062	—	116,773	122,482	5,709	107,544	112,296	4,752
Total domestic	414,388	418,171	3,783	231,262	242,600	11,338	197,489	206,562	9,073
Foreign:									
U.S. Treasury and other U.S. government agencies bonds	9,395	9,919	524	4,301	4,320	19	—	—	—
Other governments and official institutions bonds	140,860	141,592	732	68,168	71,441	3,273	69,529	72,822	3,293
Other securities	114,403	115,561	1,158	2,476	2,566	90	5,145	5,340	195
Total foreign	264,658	267,072	2,414	74,945	78,327	3,382	74,674	78,162	3,488
Total	¥ 679,046	¥ 685,243	¥ 6,197	¥ 306,207	¥ 320,927	¥ 14,720	¥ 272,163	¥ 284,724	¥ 12,561

Investment securities other than available for sale or being held to maturity (i.e., nonmarketable equity securities, presented in Other investment securities in the consolidated financial statements) were carried at costs of ¥175,233 million, ¥168,547 million and ¥129,498 million, at March 31, 2000, 2001 and 2002, respectively. The corresponding estimated fair values at those dates were not readily determinable.

The following table presents the book values, maturities and weighted average yields of investment securities available for sale and being held to maturity, excluding equity securities, at March 31, 2002. Weighted average yields are calculated based on amortized cost. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

	Maturities within one year		Maturities after one year but within five years		Maturities after five years but within ten years		Maturities after ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions except percentages)									
Securities available for sale:										
Domestic:										
Japanese national government and Japanese government agency bonds	¥3,758,056	0.12%	¥5,217,644	1.07%	¥ 975,550	1.56%	¥ —	—%	¥ 9,951,250	0.76%
Corporate bonds	186,423	2.43	1,100,046	1.64	63,773	2.35	2,786	1.47	1,353,028	1.78
Other securities	9,405	4.80	630,224	2.07	142,338	1.92	72,391	0.55	854,358	1.94
Total domestic	3,953,884	0.24	6,947,914	1.25	1,181,661	1.65	75,177	0.58	12,158,636	0.96
Foreign:										
U.S. Treasury and other U.S. government Agencies	79,649	2.39	707,550	4.84	172,213	5.14	72,530	6.09	1,031,942	4.80
Other governments and official institutions	267,153	4.06	1,088,294	4.72	419,558	5.31	15,707	7.03	1,790,712	4.78
Mortgage-backed securities	174,830	6.14	460,602	5.17	358,164	5.46	529,430	5.55	1,523,026	5.49
Other securities	247,464	1.37	664,084	3.19	228,309	5.44	150,152	3.56	1,290,009	3.27
Total foreign	769,096	3.48	2,920,530	4.47	1,178,244	5.36	767,819	5.25	5,635,689	4.63
Total	¥4,722,980	0.77%	¥9,868,444	2.19%	¥2,359,905	3.49%	¥842,996	4.83%	¥17,794,325	2.10%
Securities being held to maturity:										
Domestic:										
Japanese national government and Japanese government agency bonds	¥ 17,666	2.54%	¥ 48,690	2.23%	¥ 23,589	2.33%	¥ —	—%	¥ 89,945	2.32%
Other securities	7,051	5.09	36,882	2.52	63,611	1.77	—	—	107,544	2.24
Total domestic	24,717	3.26	85,572	2.36	87,200	1.92	—	—	197,489	2.28
Foreign:										
U.S. Treasury and other U.S. government agencies	—	—	—	—	—	—	—	—	—	—
Other governments and official institutions	40,611	7.22	27,003	7.11	1,915	6.79	—	—	69,529	7.17
Other securities	2,664	7.03	—	—	2,481	8.14	—	—	5,145	7.56
Total foreign	43,275	7.21	27,003	7.11	4,396	7.55	—	—	74,674	7.19
Total	¥ 67,992	5.78%	¥ 112,575	3.50%	¥ 91,596	2.19%	¥ —	—%	¥ 272,163	3.63%

Excluding Japanese national government bonds, the following table sets forth the securities of individual issuers held in our investment securities portfolio which exceeded 10% of our consolidated shareholders' equity at March 31, 2002.

	Amortized cost	Fair Value
	(in millions)	
U.S. Treasury and other U.S. government agencies bonds	¥1,007,414	¥1,031,942
Mortgage-backed securities issued by U.S. Federal National Mortgage Association	408,786	419,389
Mortgage-backed securities issued by U.S. Federal Home Loan Mortgage Corporation	329,506	344,361
French government bonds	461,629	454,505

III. Loan Portfolio

The following table shows our loans outstanding, before deduction of allowance for credit losses, by domicile and type of industry of borrower at March 31 of each of the five years in the period ended March 31, 2002. Classification of loans by industry is based on the industry segment loan classification as defined by The Bank of Japan for regulatory reporting purposes and is not necessarily based on use of proceeds.

	At March 31,				
	1998	1999	2000	2001	2002
			(in millions)		
Domestic:					
Manufacturing	¥ 7,188,038	¥ 7,171,934	¥ 6,877,734	¥ 6,451,672	¥ 6,394,459
Construction	1,886,422	1,931,928	1,816,338	1,726,278	1,535,191
Real estate	5,564,330	5,594,982	5,045,318	5,272,787	4,923,688
Services	6,147,240	5,398,917	5,010,678	4,763,938	4,549,692
Wholesale and retail	7,849,323	7,734,297	6,926,200	6,592,660	5,983,958
Banks and other financial institutions	4,321,616	4,241,691	3,947,735	4,069,828	4,271,182
Other industries	2,640,445	3,649,278	3,837,809	2,797,419	3,850,153
Consumer	6,774,501	6,905,666	7,141,689	6,934,440	7,049,095
Total domestic	42,371,915	42,628,693	40,603,501	38,609,022	38,557,418
Foreign:					
Governments and official institutions	429,244	362,404	244,172	315,321	326,086
Banks and other financial institutions	1,613,190	745,783	692,322	783,501	680,449
Commercial and industrial	11,422,794	9,617,336	7,652,750	8,820,141	9,708,102
Other	2,379,437	1,711,988	887,507	1,173,223	1,000,044
Total foreign	15,844,665	12,437,511	9,476,751	11,092,186	11,714,681
Total	58,216,580	55,066,204	50,080,252	49,701,208	50,272,099
Less unearned income and deferred loan fees	71,407	37,454	30,868	30,305	42,374
Total	¥58,145,173	¥55,028,750	¥50,049,384	¥49,670,903	¥50,229,725

Note—Loans to the so-called non-bank finance companies are generally included in the "Banks and other financial institutions" category. Non-bank finance companies are primarily engaged in consumer lending, factoring, mortgage lending and credit card businesses.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the maturities of our loan portfolio at March 31, 2002:

	Maturity			
	One year or less	One to five years	Over five years	Total
	(in millions)			
Domestic:				
Manufacturing	¥ 4,525,631	¥ 1,703,447	¥ 165,381	¥ 6,394,459
Construction	1,118,493	338,966	77,732	1,535,191
Real estate	2,322,887	1,638,583	962,218	4,923,688
Services	2,481,125	1,560,883	507,684	4,549,692
Wholesale and retail	4,454,273	1,298,957	230,728	5,983,958
Banks and other financial institutions	2,698,320	956,258	616,604	4,271,182
Other industries	2,527,453	925,232	397,468	3,850,153
Consumer:				
Installment loans to individuals	431,577	1,393,167	4,515,210	6,339,954
Other	553,521	56,282	99,338	709,141
Total domestic	21,113,280	9,871,775	7,572,363	38,557,418
Foreign:	5,923,417	3,400,647	2,390,617	11,714,681
Total	¥27,036,697	¥13,272,422	¥9,962,980	¥50,272,099

The above loans due after one year which had predetermined interest rates and floating or adjustable interest rates at March 31, 2002 are shown below.

	Domestic	Foreign	Total
		(in millions)	
Predetermined rate	¥ 6,732,905	¥1,646,957	¥ 8,379,862
Floating or adjustable rate	10,711,233	4,144,307	14,855,540
Total	¥17,444,138	¥5,791,264	¥23,235,402

Nonaccrual, Past Due and Restructured Loans

We generally discontinue the accrual of interest income on loans when substantial doubt exists as to the full and timely collection of either principal or interest, or when principal and interest is contractually past due, except when the loans are in the process of collection based upon the judgment of management. Prior to April 1, 1998, loans by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and some of other domestic subsidiaries were generally placed on nonaccrual status when they were past due more than six months, in each case as to either principal or interest. The change in nonaccrual policy resulted in an increase in nonaccrual loans of approximately ¥1,327 billion and decreases in accruing restructured loans and accruing loans contractually past due 90 days or more of approximately ¥1,037 billion and ¥290 billion, respectively, at March 31, 1999. For past due loans, we continue the accrual of interest income on loans without collecting any payment of interest or principal under terms of the related loan agreements only for a period of up to three months.

The following table shows the distribution of our nonaccrual loans, restructured loans and accruing loans which are contractually past due 90 days or more as to principal or interest payments at March 31 of each of the five years in the period ended March 31, 2002, based on the domicile and type of industry of the borrowers.

	At March 31,				
	1998	1999	2000	2001	2002
			(in millions)		
Nonaccrual loans:					
Domestic:					
Manufacturing	¥ 27,203	¥ 141,830	¥ 112,245	¥ 118,935	¥ 142,572
Construction	32,365	138,803	226,170	202,506	213,491
Real estate	195,421	981,504	829,616	939,267	841,414
Services	114,555	457,083	290,286	247,697	214,877
Wholesale and retail	64,719	380,076	389,262	229,965	251,061
Banks and other financial institutions	113,405	245,533	140,928	125,649	58,568
Other industries	6,072	26,848	23,921	39,963	39,687
Consumer	24,271	83,809	56,206	163,076	166,333
Total domestic	578,011	2,455,486	2,068,634	2,067,058	1,928,003
Foreign:					
Governments and official institutions	951	895	1,032	2,336	3,341
Banks and other financial institutions	1,931	19,670	14,458	8,403	9,119
Commercial and industrial	61,914	198,951	167,271	180,760	226,054
Other	3,256	31,599	26,604	32,345	7,059
Total foreign	68,052	251,115	209,365	223,844	245,573
Total	646,063	2,706,601	2,277,999	2,290,902	2,173,576
Restructured loans:					
Domestic	1,151,905	632,187	449,673	1,855,616	1,859,176
Foreign	96,696	23,143	53,206	98,879	109,190
Total	1,248,601	655,330	502,879	1,954,495	1,968,366
Accruing loans contractually past due 90 days or more:					
Domestic	363,200	78,129	62,286	24,005	20,276
Foreign	24,665	37,708	1,751	3,392	2,764
Total	387,865	115,837	64,037	27,397	23,040
Total	¥2,282,529	¥3,477,768	¥2,844,915	¥4,272,794	¥4,164,982

Note—The above table does not include real estate acquired in full or partial satisfaction of debt and certain assets under the management of the Cooperative Credit Purchasing Company which are recorded at estimated fair value less estimated cost to sell

Gross interest income which would have been accrued at the original terms on domestic nonaccrual and restructured loans outstanding during the fiscal year ended March 31, 2002 was approximately ¥83.7 billion, of which ¥67.6 billion was included in the results of operations for the year. Gross interest income which would have been accrued at the original terms on foreign nonaccrual and restructured loans outstanding for the fiscal year ended March 31, 2002 was approximately ¥17.3 billion, of which ¥7.7 billion was included in the results of operations for the year.

Foreign Loans Outstanding

We had no cross-border outstandings to borrowers in any foreign country which in total exceeded 0.75% of consolidated total assets at March 31, 2000, 2001 and 2002. Cross-border outstandings are defined, for this purpose, as including loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets denominated in Japanese yen or other non-local currencies. Material local currency loans outstanding which are neither hedged nor funded by local currency borrowings are included in cross-border outstandings.

Guarantees of outstandings of borrowers of other countries are considered to be outstandings of the guarantor. Loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank's home country are considered to be loans to, or deposits with, the foreign bank. Outstandings of a country do not include principal or interest amounts of which are supported by written, legally enforceable guarantees by guarantors of other countries or the amounts of outstandings to the extent that they are secured by tangible, liquid collateral held and realizable by Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and their subsidiaries outside the country in which they operate.

In addition to credit risk, cross-border outstandings are subject to country risk that as a result of political or economic conditions in a country, borrowers may be unable or unwilling to pay principal and interest according to contractual terms. Other risks related to cross-border outstandings include the possibility of insufficient foreign exchange and restrictions on its availability.

In order to manage country risk, we establish various risk management measures internally. Among other things, we first regularly monitor economic conditions and other factors globally and assesses country risk in each country where we have cross-border exposure. For purposes of monitoring and controlling the amount of credit exposed to country risk, we set a country limit, the maximum amount of credit exposure for an individual country, in consideration of the level of country risk and our ability to bear such potential risk. We also determine our credit policy for each country in accordance with its country risk level and our business plan with regard to the country. Assessment of country risk, establishment of country limits, and determination of country credit policies are subject to review and approval by our senior management and are updated periodically.

Exposure to East Asia

For a period beginning in mid-1997, some East Asian countries experienced severe economic and financial difficulties. In response to economic deterioration, the Republic of Korea, or South Korea, Thailand and Indonesia implemented financial reform programs under the supervision of the International Monetary Fund, or IMF. The region has now generally recovered from these difficulties, with certain exceptions.

We maintain a substantial network of branches and subsidiaries in East Asia and the region has been an important market for our financial services. In response to recent developments in the regional economy, we regularly reassess the country risk of each country in the region, to adjust exposure levels, and to review and revise country credit policies.

The following table represents our cross-border outstandings and commitments at March 31, 2001 and 2002, to certain East Asian countries significantly affected by the crisis:

	At March 31,			
	2001		2002	
	Cross-border Outstanding	Commitments	Cross-border Outstanding	Commitments
	(in billions)			
South Korea	¥225.8	¥ 0.5	¥218.9	¥ 1.1
Indonesia	141.8	19.1	78.2	11.2
Thailand	248.9	5.9	223.7	6.8
Malaysia	151.8	7.5	156.1	10.7
Philippines	70.5	7.2	80.0	13.7
Hong Kong	455.0	21.7	409.3	2.2
People's Republic of China	185.2	11.4	222.9	4.7

In addition to the exposure to the seven countries shown in the above table, we had cross-border outstandings of ¥255.7 billion to counterparties in Singapore at March 31, 2002. Our management does not expect any significant credit problems with exposure to the country. At March 31, 2002, the total cross-border outstandings to the five countries (South Korea, Indonesia, Thailand, Malaysia and the Philippines) decreased ¥81.9 billion, or 9.8%, to ¥756.9 billion in the aggregate from ¥838.8 billion of outstandings recorded a year ago, due primarily to reduction of exposure to Indonesia, through our proactive exposure management.

Exposure to South America

The following is a summary of cross-border outstandings to counterparties in major South American countries at March 31, 2001 and 2002:

	At March 31,	
	2001	2002
	(in billions)	
Argentina	¥116.7	¥ 74.4
Brazil	139.8	145.4
Mexico	75.2	110.0

Argentina—In late 2001, Argentina began to experience significant economic turmoil and deterioration, including the suspension of foreign debt payment. The Argentine government implemented substantial economic changes, and abandoned the fixed US dollar-to-peso exchange rate with shifting to a floating exchange rate. The adoption of the floating rate occurred in parallel with increased restrictions on deposits and liquidity. The Argentine government has defaulted on its debt, and the outcome of talks between the Argentine government and the International Monetary Fund on receiving financial assistance remains uncertain. The Argentine government and other parties are working on a debt-restructuring program. At March 31, 2002, we had cross-border outstandings of approximately ¥74.4 billion to borrowers in Argentina and provided the allocated credit loss allowance for country risk exposure of ¥18.1 billion. We continue to assess our credit exposure to Argentina.

Loan Concentrations

At March 31, 2002, there were no concentrations of loans to a single industry group of borrowers, as defined by The Bank of Japan for industry segment loan classification, which exceeded 10% of our consolidated total loans except for domestic consumer loans.

Credit Risk Management

We have a credit rating system, under which borrowers and transactions are graded based on objective standards on a worldwide basis. We calculate probability of default by statistical means and manage our credit portfolio based on this credit rating system. For a detailed description of this system and other elements of our risk management structure, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Credit Risk Management."

IV. Summary of Loan Loss Experience

The following table shows an analysis of our loan loss experience by type of borrowers' business for each of the five years in the period ended March 31, 2002.

	Year ended March 31,				
	1998	1999	2000	2001	2002
	(in millions except percentages)				
Allowance for credit losses at beginning of year	¥1,556,825	¥1,281,091	¥1,813,680	¥1,486,212	¥1,716,984
Provision for credit losses	1,476,027	1,239,000	372,449	797,081	601,689
Charge-offs:					
Domestic:					
Manufacturing	91,486	25,224	25,537	31,386	55,916
Construction	460,446	27,530	77,878	82,078	35,365
Real estate	153,059	135,597	98,201	154,887	150,684
Services	229,087	160,194	53,877	72,673	51,803
Wholesale and retail	208,777	29,031	191,839	152,723	96,745
Banks and other financial institutions	306,594	106,727	67,782	22,453	64,615
Other industries	8,370	10,172	47,209	6,069	11,500
Consumer	175,943	38,119	39,827	34,291	46,550
Total domestic	1,633,762	532,594	602,150	556,560	513,178
Foreign	140,404	140,981	121,882	87,879	156,203
Total	1,774,166	673,575	724,032	644,439	669,381
Recoveries:					
Domestic	455	1,338	25,244	26,666	42,112
Foreign	8,355	8,784	19,052	19,411	23,865
Total	8,810	10,122	44,296	46,077	65,977
Net charge-offs	1,765,356	663,453	679,736	598,362	603,404
Other—principally foreign exchange translation adjustments	13,595	(42,958)	(20,181)	32,053	19,911
Allowance for credit losses at end of year	¥1,281,091	¥1,813,680	¥1,486,212	¥1,716,984	¥1,735,180
Allowance for credit losses applicable to foreign activities:					
Balance at beginning of year	¥ 190,526	¥ 264,186	¥ 295,131	¥ 190,571	¥ 243,716
Balance at end of year	¥ 264,186	¥ 295,131	¥ 190,571	¥ 243,716	¥ 244,650
Provision for credit losses	¥ 194,613	¥ 193,610	¥ 25,661	¥ 105,664	¥ 127,348
Ratio of net charge-offs during the year to average loans outstanding during the year	3.01%	1.15%	1.30%	1.21%	1.23%

The following table shows an allocation of our allowance for credit losses at the end of each of the five years in the period ended March 31, 2002.

	At March 31,									
	1998		1999		2000		2001		2002	
	Amount	**% of loans in each category to total loans**	**Amount**	**% of loans in each category to total loans**	**Amount**	**% of loans in each category to total loans**	**Amount**	**% of loans in each category to total loans**	**Amount**	**% of loans in each category to total loans**
	(in millions except percentages)									
Domestic:										
Manufacturing	¥ 57,090	12.35%	¥ 92,791	13.02%	¥ 98,296	13.73%	¥ 159,387	12.98%	¥ 162,828	12.72%
Construction	42,801	3.24	119,853	3.51	124,352	3.63	133,752	3.47	168,595	3.05
Real estate	333,991	9.56	498,246	10.16	429,928	10.07	505,479	10.61	541,093	9.79
Services	163,017	10.56	225,420	9.80	178,237	10.01	172,568	9.59	175,281	9.05
Wholesale and retail	152,464	13.48	294,605	14.05	221,466	13.83	203,814	13.26	216,510	11.90
Banks and other financial institutions	165,835	7.42	171,477	7.70	64,934	7.88	86,470	8.19	59,971	8.50
Other industries	5,868	4.53	15,641	6.63	57,684	7.67	47,607	5.63	48,466	7.67
Consumer	73,487	11.64	75,684	12.54	104,139	14.26	106,031	13.95	95,156	14.02
Foreign:										
Governments and official institutions	17,001	0.74	30,299	0.66	14,769	0.49	18,571	0.63	33,304	0.65
Banks and other financial institutions	27,100	2.77	27,133	1.35	9,328	1.38	11,322	1.58	6,847	1.35
Commercial and industrial	188,041	19.62	217,736	17.47	144,028	15.28	192,484	17.75	189,332	19.31
Other	32,044	4.09	19,963	3.11	22,446	1.77	21,339	2.36	15,167	1.99
Unallocated	22,352	—	24,832	—	16,605	—	58,160	—	22,630	—
Total	¥1,281,091	100.00%	¥1,813,680	100.00%	¥1,486,212	100.00%	¥1,716,984	100.00%	¥1,735,180	100.00%
Allowance as a percentage of loans	2.20%		3.30%		2.97%		3.46%		3.45%	
Allowance as a percentage of nonaccrual and restructured loans and accruing loans contractually past due 90 days or more	56.13%		52.15%		52.24%		40.18%		41.66%	

While allowance for credit losses contains amounts allocated to components of specifically identified loans as well as a group on portfolio of loans, the allowance for credit losses is available for credit losses in the entire loan portfolio and the allocations shown above are not intended to be restricted to the specific loan category. Accordingly, as the evaluation of credit risks changes, allocations of the allowance will be changed to reflect current conditions and various other factors.

V. Deposits

The following table shows the average amount of, and the average rate paid on, the following deposit categories for each of the three years in the period ended March 31, 2002.

	Year ended March 31,					
	2000		2001		2002	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
	(in millions except percentages)					
Domestic offices:						
Non-interest-bearing demand deposits	¥ 2,236,420	—	¥ 2,186,090	—	¥ 2,621,296	—
Interest-bearing demand deposits	11,680,850	0.11%	11,803,418	0.13%	14,385,013	0.04%
Deposits at notice	1,847,522	1.13	1,564,168	1.49	1,800,904	1.01
Time deposits	24,888,624	0.69	25,372,595	0.78	26,272,795	0.49
Certificates of deposit	2,730,680	0.18	2,438,281	0.33	2,348,313	0.14
Foreign offices, principally from banks located in foreign countries:						
Non-interest-bearing demand deposits	1,433,729	—	1,412,761	—	1,654,887	—
Interest-bearing deposits, principally time deposits and certificates of deposit	11,244,201	3.48	11,552,974	4.58	10,982,859	2.99
Total	¥56,062,026		¥56,330,287		¥60,066,067	

Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance to withdrawal.

The average amounts of total deposits by foreign depositors included in domestic offices for the fiscal years ended March 31, 2000, 2001 and 2002 were ¥387,118 million, ¥378,840 million and ¥485,399 million, respectively.

At March 31, 2002, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US$75 thousand at the Federal Reserve Bank of New York's noon buying rate on March 29, 2002) or more and such deposits issued in amounts of US$100,000 or more are shown in the following table.

	Time deposits	Certificates of deposit	Total
		(in millions)	
Domestic offices:			
Three months or less	¥ 7,200,783	¥2,500,997	¥ 9,701,780
Over three months through six months	1,842,497	113,773	1,956,270
Over six months through twelve months	2,349,447	48,135	2,397,582
Over twelve months	2,829,237	160	2,829,397
Total	¥14,221,964	¥2,663,065	¥16,885,029
Foreign offices			¥ 6,783,568

VI. Short-Term Borrowings

The following table shows certain additional information with respect to our short-term borrowings for each of the three years in the period ended March 31, 2002.

	Year ended March 31,		
	2000	2001	2002
	(in millions except percentages)		
Call money, funds purchased, and payables under repurchase agreements and securities lending transactions:			
Average balance outstanding during the year	¥5,148,760	¥ 7,201,772	¥8,996,420
Maximum balance outstanding at any month-end during the year	6,259,026	10,546,870	9,252,127
Balance at end of year	4,226,936	8,727,358	9,243,032
Weighted average interest rate during the year	2.44%	3.62%	2.23%
Weighted average interest rate on balance at end of year	2.32%	2.01%	1.09%
Due to trust account:			
Average balance outstanding during the year	¥4,181,966	¥ 4,023,941	¥2,940,975
Maximum balance outstanding at any month-end during the year	4,397,143	4,488,591	3,353,489
Balance at end of year	4,271,918	3,672,718	2,282,225
Weighted average interest rate during the year	0.78%	0.69%	0.57%
Weighted average interest rate on balance at end of year	0.77%	0.73%	0.51%
Other short-term borrowings:			
Average balance outstanding during the year	¥1,839,452	¥ 1,641,905	¥2,077,604
Maximum balance outstanding at any month-end during the year	2,431,224	3,032,747	3,318,634
Balance at end of year	1,655,819	2,129,991	3,318,634
Weighted average interest rate during the year	2.79%	1.65%	2.22%
Weighted average interest rate on balance at end of year	1.71%	1.48%	1.09%

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

Mitsubishi Tokyo Financial Group, Inc.
(Kabushiki Kaisha Mitsubishi Tokyo Financial Group):

We have audited the accompanying consolidated balance sheets of Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG") and subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of operations, changes in equity from nonowner sources, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002. These financial statements are the responsibility of MTFG's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MTFG and subsidiaries at March 31, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in the year ended March 31, 2002, MTFG changed its method of accounting for derivative financial instruments and hedging activities.

/s/ Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tokyo, Japan
July 19, 2002

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2001 AND 2002

	2001	2002
	(in millions)	
ASSETS		
Cash and due from banks (Note 9)	¥ 1,729,668	¥ 1,832,399
Interest-earning deposits in other banks (Note 9)	6,014,905	4,332,180
Call loans and funds sold (Note 12)	1,828,749	1,626,760
Receivables under resale agreements	1,428,488	1,122,680
Receivables under securities borrowing transactions	1,938,500	1,953,242
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥532,116 million in 2001 and ¥856,331 million in 2002) (Notes 3 and 9)	7,143,309	7,497,253
Investment securities (Notes 4 and 9):		
Securities available for sale—carried at estimated fair value (including assets pledged that secured parties are permitted to sell or repledge of ¥1,112,209 million in 2001 and ¥2,101,338 million in 2002)	21,730,915	23,282,816
Securities being held to maturity—carried at amortized cost (estimated fair value of ¥320,927 million in 2001 and ¥284,724 million in 2002)	306,207	272,163
Other investment securities	168,547	129,498
Total investment securities	22,205,669	23,684,477
Loans, net of unearned income and deferred loan fees (including assets pledged that secured parties are permitted to sell or repledge of ¥944,153 million in 2001 and ¥765,575 million in 2002) (Notes 5 and 9)	49,670,903	50,229,725
Allowance for credit losses (Notes 5 and 6)	(1,716,984)	(1,735,180)
Net loans	47,953,919	48,494,545
Premises and equipment—net (Note 7)	689,663	681,366
Accrued interest	316,941	213,697
Customers' acceptance liability	43,552	37,608
Other assets (Notes 5, 8 and 17)	2,195,587	2,888,907
Total	¥93,488,950	¥94,365,114
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits (Note 10):		
Domestic offices:		
Non-interest-bearing	¥ 2,884,031	¥ 3,091,407
Interest-bearing	43,064,927	48,826,155
Overseas offices:		
Non-interest-bearing	1,675,511	2,166,464
Interest-bearing	12,481,273	9,575,475
Total deposits	60,105,742	63,659,501
Debentures (Note 11)	3,404,411	2,269,122
Call money and funds purchased (Notes 9 and 12)	2,358,036	2,542,489
Payables under repurchase agreements (Note 9)	3,046,618	3,786,560
Payables under securities lending transactions (Note 9)	3,322,704	2,913,983
Due to trust account (Note 13)	3,672,718	2,282,225
Other short-term borrowings (Notes 9 and 14)	2,129,991	3,318,634
Trading account liabilities (Note 3)	4,072,807	2,495,768
Obligations to return securities received as collateral	295,694	315,538
Bank acceptances outstanding	43,552	37,608
Accrued interest	389,301	211,010
Long-term debt (Notes 9 and 14)	4,963,455	5,183,841
Other liabilities (Notes 8, 16 and 17)	2,482,625	2,722,338
Total liabilities	90,287,654	91,738,617
Commitments and contingent liabilities (Notes 23, 24 and 25)		
Shareholders' equity (Note 21):		
Capital stock (Notes 18 and 19) (*):		
Preferred stock:		
Class 1—authorized, 81,400 shares; issued and outstanding, 81,400 shares in 2001 and 2002, with no stated value (aggregate liquidation preference of ¥244,200 million)	122,100	122,100
Class 2—convertible: authorized, 100,000 shares; issued and outstanding, 100,000 shares in 2001 and 2002, with no stated value (aggregate liquidation preference of ¥200,000 million)	100,000	100,000
Class 3—authorized, 120,000 shares; no shares issued or outstanding	—	—
Class 4—convertible: authorized, 120,000 shares; no shares issued or outstanding	—	—
Common stock—authorized, 22,000,000 shares; issued, 5,587,068 shares in 2001 and 5,742,468 shares 2002, with no stated value	856,664	873,156
Capital surplus (Note 19)	831,105	850,835
Retained earnings (Notes 20 and 32):		
Appropriated for legal reserve	221,689	236,537
Unappropriated	271,246	11,593
Accumulated other changes in equity from nonowner sources, net of taxes	907,424	523,250
Total	3,310,228	2,717,471
Less treasury stock, at cost—72,541 common shares in 2001 and 169,639 common shares in 2002	108,932	90,974
Shareholders' equity—net	3,201,296	2,626,497
Total	¥93,488,950	¥94,365,114

(*) The number of shares in 2001 has been adjusted to reflect the stock-for-stock exchanges on April 2, 2001 creating MTFG (see Note 2).

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002

	2000	2001	2002
		(in millions)	
Interest income:			
Loans, including fees (Note 5)	¥1,494,071	¥ 1,476,209	¥ 1,276,821
Deposits in other banks	136,330	236,626	159,784
Investment securities:			
Interest	326,920	305,832	336,278
Dividends	73,246	62,849	63,115
Trading account assets	15,706	16,954	15,144
Call loans and funds sold	21,707	28,499	19,318
Receivables under resale agreements and securities borrowing transactions	97,663	156,005	146,501
Total	2,165,643	2,282,974	2,016,961
Interest expense:			
Deposits	600,107	774,512	485,643
Debentures	51,718	32,285	20,491
Call money and funds purchased	16,068	22,452	17,853
Payables under repurchase agreements and securities lending transactions	109,389	238,233	182,487
Due to trust account	32,413	27,825	16,683
Other short-term borrowings and trading account liabilities	84,349	37,230	46,567
Long-term debt	192,082	178,081	169,339
Total	1,086,126	1,310,618	939,063
Net interest income	1,079,517	972,356	1,077,898
Provision for credit losses (Notes 5 and 6)	372,449	797,081	601,689
Net interest income after provision for credit losses	707,068	175,275	476,209
Non-interest income:			
Fees and commissions (Note 26)	369,156	459,403	491,864
Foreign exchange gains—net (Note 3)	32,578	—	—
Trading account profits—net (Note 3)	—	229,508	138,460
Investment securities gains—net (Note 4)	79,845	232,502	20,598
Other non-interest income	38,313	34,411	49,819
Total	519,892	955,824	700,741
Non-interest expense:			
Salaries and employee benefits (Note 16)	429,403	403,739	456,568
Occupancy expenses—net (Notes 7 and 25)	130,111	137,373	134,787
Foreign exchange losses—net (Note 3)	—	104,617	333,034
Trading account losses—net (Note 3)	143,065	—	—
Losses on other real estate owned	70,200	16,434	6,233
Goodwill amortization	2,862	4,444	7,862
Other non-interest expenses	448,701	460,903	562,699
Total	1,224,342	1,127,510	1,501,183
Income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle	2,618	3,589	(324,233)
Income tax expense (benefit) (Note 8)	50,160	62,763	(101,832)
Loss before cumulative effect of a change in accounting principle	(47,542)	(59,174)	(222,401)
Cumulative effect of a change in accounting principle, net of tax	—	—	5,867
Net loss	¥ (47,542)	¥ (59,174)	¥ (216,534)
Income attributable to preferred shareholders	¥ 5,464	¥ 8,336	¥ 4,168
Net loss attributable to common shareholders	¥ (53,006)	¥ (67,510)	¥ (220,702)
		(in Yen)	
Amounts per share (*) (Notes 20 and 22):			
Basic and diluted loss per common share—loss before cumulative effect of a change in accounting principle	¥ (9,663.81)	¥(12,274.55)	¥(40,789.57)
Basic and diluted loss per common share—net loss	(9,663.81)	(12,274.55)	(39,733.32)

(*) Amounts for the years ended March 31,2000 and 2001 have been adjusted to reflect the stock-for-stock exchanges on April 2, 2001 creating MTFG (see Note 2).

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FROM NONOWNER SOURCES FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002

	Gains (Losses) before Income Taxes	Income Tax (Expense) Benefit	Gains (Losses) Net of Income Taxes
		(in millions)	
Year ended March 31, 2000:			
Net loss			¥ (47,542)
Other changes in equity from nonowner sources:			
Net unrealized holding gains on investment securities available for sale	1,247,967	(521,880)	726,087
Reclassification adjustment for gains included in net loss	(84,800)	35,414	(49,386)
Total	1,163,167	(486,466)	676,701
Minimum pension liability adjustments	43,160	(16,185)	26,975
Foreign currency translation adjustments	(79,496)	15,213	(64,283)
Reclassification adjustment for losses included in net loss	11,131	(4,163)	6,968
Total	(68,365)	11,050	(57,315)
Total changes in equity from nonowner sources			¥ 598,819
Year ended March 31, 2001:			
Net loss			¥ (59,174)
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale	(874,301)	339,259	(535,042)
Reclassification adjustment for gains included in net loss	(275,460)	107,452	(168,008)
Total	(1,149,761)	446,711	(703,050)
Minimum pension liability adjustments	(114,171)	39,735	(74,436)
Foreign currency translation adjustments	52,415	(15,415)	37,000
Reclassification adjustment for losses included in net loss	6,502	(1,438)	5,064
Total	58,917	(16,853)	42,064
Total changes in equity from nonowner sources			¥(794,596)
Year ended March 31, 2002:			
Net loss			¥(216,534)
Other changes in equity from nonowner sources:			
Net unrealized holding losses on investment securities available for sale	¥ (558,583)	¥ 211,868	(346,715)
Reclassification adjustment for gains included in net loss	(46,325)	18,075	(28,250)
Total	(604,908)	229,943	(374,965)
Cumulative effect of a change in accounting principle	2,065	(808)	1,257
Net unrealized gains on derivatives qualifying for cash flow hedges	7,982	(2,916)	5,066
Reclassification adjustment for gains included in net loss	(4,254)	1,627	(2,627)
Total	5,793	(2,097)	3,696
Minimum pension liability adjustments	(122,746)	30,815	(91,931)
Foreign currency translation adjustments	84,355	(5,444)	78,911
Reclassification adjustment for losses included in net loss	115	—	115
Total	84,470	(5,444)	79,026
Total changes in equity from nonowner sources			¥(600,708)

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002

	2000	2001	2002
		(in millions)	
Preferred stock (Class 1) (Note 18):			
Balance at beginning of year	¥ 122,100	¥ 122,100	¥ 122,100
Balance at end of year	¥ 122,100	¥ 122,100	¥ 122,100
Preferred stock (Class 2) (Note 18):			
Balance at beginning of year	¥ 100,000	¥ 100,000	¥ 100,000
Balance at end of year	¥ 100,000	¥ 100,000	¥ 100,000
Common stock (Note 19):			
Balance at beginning of year	¥ 856,664	¥ 856,664	¥ 856,664
Issuance of common stock in exchange for the minority shares of NTB	—	—	16,492
Balance at end of year	¥ 856,664	¥ 856,664	¥ 873,156
Capital surplus (Note 19):			
Balance at beginning of year	¥ 838,015	¥ 838,008	¥ 831,105
Issuance of common stock in exchange for the minority shares of NTB	—	—	16,120
Gains (losses) on sales of treasury stock, net of taxes	(7)	(6,903)	3,610
Balance at end of year	¥ 838,008	¥ 831,105	¥ 850,835
Retained earnings appropriated for legal reserve (Note 20):			
Balance at beginning of year	¥ 199,263	¥ 210,196	¥ 221,689
Transfer from unappropriated retained earnings	10,933	11,493	14,848
Balance at end of year (Note 32)	¥ 210,196	¥ 221,689	¥ 236,537
Unappropriated retained earnings (Note 20):			
Balance at beginning of year	¥ 510,134	¥ 398,263	¥ 271,246
Net loss	(47,542)	(59,174)	(216,534)
Total	462,592	339,089	54,712
Deduction:			
Cash dividends declared (Note 1) (*):			
Common share—¥8,255.25, ¥8,255.25 and ¥4,127.63 per share in 2000, 2001 and 2002	(47,932)	(48,014)	(24,103)
Preferred share (Class 1)—¥57,120.00, ¥82,500.00 and ¥41,250.00 per share in 2000, 2001 and 2002	(4,649)	(6,716)	(3,358)
Preferred share (Class 2)—¥8,150.00, ¥16,200.00 and ¥8,100.00 per share in 2000, 2001 and 2002	(815)	(1,620)	(810)
Transfer to retained earnings appropriated for legal reserve	(10,933)	(11,493)	(14,848)
Total	(64,329)	(67,843)	(43,119)
Balance at end of year (Note 32)	¥ 398,263	¥ 271,246	¥ 11,593
Accumulated other changes in equity from nonowner sources, net of taxes:			
Net unrealized gains on investment securities available for sale (Note 4):			
Balance at beginning of year	¥1,228,594	¥1,905,295	¥1,202,245
Net change during the year	676,701	(703,050)	(374,965)
Balance at end of year	¥1,905,295	¥1,202,245	¥ 827,280
Net unrealized gains on derivatives qualifying for cash flow hedges (Note 23):			
Cumulative effect of a change in accounting principle	¥ —	¥ —	¥ 1,257
Net change during the year	—	—	2,439
Balance at end of year	¥ —	¥ —	¥ 3,696
Minimum pension liability adjustments (Note 16):			
Balance at beginning of year	¥ (42,903)	¥ (15,928)	¥ (90,364)
Net change during the year	26,975	(74,436)	(91,931)
Balance at end of year	¥ (15,928)	¥ (90,364)	¥ (182,295)
Foreign currency translation adjustments:			
Balance at beginning of year	¥ (189,206)	¥ (246,521)	¥ (204,457)
Net change during the year	(57,315)	42,064	79,026
Balance at end of year	¥ (246,521)	¥ (204,457)	¥ (125,431)
Balance at end of year	¥1,642,846	¥ 907,424	¥ 523,250
Treasury stock			
Balance at beginning of year	¥ (153,731)	¥ (153,669)	¥ (108,932)
Purchase of treasury stock	(1,089)	(1,005)	(7,381)
Sale of treasury stock	1,093	46,057	25,339
Net decrease (increase) resulting from changes in consolidated subsidiaries	58	(315)	—
Balance at end of year	¥ (153,669)	¥ (108,932)	¥ (90,974)
Total shareholders' equity	¥4,014,408	¥3,201,296	¥2,626,497

(*) Amounts have been adjusted to reflect the stock-for-stock exchanges on April 2, 2001 creating MTFG (see Note 2).

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2000, 2001 AND 2002

	2000	2001	2002
		(in millions)	
Cash flows from operating activities:			
Net loss	¥ (47,542)	¥ (59,174)	¥ (216,534)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	91,696	93,216	105,094
Goodwill amortization	2,862	4,444	7,862
Provision for credit losses	372,449	797,081	601,689
Investment securities gains—net	(79,845)	(232,502)	(20,598)
Foreign exchange losses (gains)—net	(67,942)	24,241	524,272
Provision for deferred income tax benefit	(163,432)	(40,372)	(129,151)
Decrease (increase) in trading account assets, excluding foreign exchange contracts	691,232	(1,769,413)	(196,044)
Increase (decrease) in trading account liabilities, excluding foreign exchange contracts	(586,096)	227,502	(1,604,006)
Decrease (increase) in accrued interest receivable and other receivables	98,976	(44,750)	128,646
Increase (decrease) in accrued interest payable and other payables	(145,175)	171,781	(190,986)
Other—net	123,403	(95,779)	67,013
Net cash provided by (used in) operating activities	290,586	(923,725)	(922,743)
Cash flows from investing activities:			
Proceeds from sales of investment securities available for sale	28,887,875	31,027,773	34,164,318
Proceeds from maturities of investment securities available for sale	5,599,064	16,154,100	8,495,287
Purchases of investment securities available for sale	(35,801,317)	(50,785,346)	(45,404,685)
Proceeds from maturities of investment securities being held to maturity	201,174	79,579	36,970
Purchases of investment securities being held to maturity	(473,050)	(211,016)	—
Proceeds from sales of other investment securities	94,944	33,469	53,872
Purchases of other investment securities	(61,290)	(15,111)	(19,111)
Net decrease (increase) in loans	2,191,104	884,808	(552,865)
Net decrease (increase) in interest-earning deposits in other banks	(2,181,666)	(567,952)	1,920,108
Net decrease (increase) in call loans, funds sold, and receivables under resale agreements and securities borrowing transactions	1,383,239	(2,334,422)	927,975
Capital expenditures for premises and equipment	(44,738)	(54,405)	(110,391)
Other—net	(16,941)	(132,794)	(58,366)
Net cash used in investing activities	(221,602)	(5,921,317)	(546,888)
Cash flows from financing activities:			
Net increase in deposits	669,981	3,423,211	2,274,803
Net decrease in debentures	(473,180)	(1,135,584)	(1,136,959)
Net increase (decrease) in call money, funds purchased, and payables under repurchase agreements and securities lending transactions	(1,181,417)	4,286,605	88,080
Net increase (decrease) in due to trust account	480,755	(7,758)	(1,390,493)
Net increase (decrease) in other short-term borrowings	(86,380)	(65,043)	1,355,660
Proceeds from issuance of long-term debt	1,034,625	1,159,777	884,991
Repayment of long-term debt	(499,654)	(920,967)	(767,312)
Proceeds from sales of treasury stock	1,082	34,878	32,577
Payments to acquire treasury stock	(1,089)	(1,005)	(7,381)
Dividends paid	(53,391)	(56,342)	(28,275)
Other—net	193,777	(282,109)	202,481
Net cash provided by financing activities	85,109	6,435,663	1,508,172
Effect of exchange rate changes on cash and cash equivalents	(47,071)	26,070	64,190
Net increase (decrease) in cash and cash equivalents	107,022	(383,309)	102,731
Cash and cash equivalents at beginning of year	2,005,955	2,112,977	1,729,668
Cash and cash equivalents at end of year	¥ 2,112,977	¥ 1,729,668	¥ 1,832,399
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	¥ 1,227,027	¥ 1,125,616	¥ 1,127,859
Income taxes, net of refunds	152,647	227,900	98,203
Non-cash investing activities:			
Loans transferred to other real estate owned	12,361	6,432	7,605
Investment securities being held to maturity transferred to available-for-sale category (Note 4)	—	369,039	—
Marketable equity securities transferred to employee retirement benefit trusts (Note 16)	—	—	133,158

See the accompanying notes to Consolidated Financial Statements.

MITSUBISHI TOKYO FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

On April 2, 2001, Mitsubishi Tokyo Financial Group, Inc. (Kabushiki Kaisha Mitsubishi Tokyo Financial Group) ("MTFG") was established, as a bank holding company, through which The Bank of Tokyo-Mitsubishi, Ltd. ("BTM"), The Mitsubishi Trust and Banking Corporation ("Mitsubishi Trust"), and Nippon Trust Bank Limited ("NTB"), a former subsidiary of BTM, have become wholly-owned subsidiaries pursuant to stock-for-stock exchanges. The business combination was accounted for as a pooling of interests and, accordingly, the historical information has been restated as if the combination had been in effect for all periods presented. See Note 2 for further information regarding the business combination.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which MTFG is incorporated and principally operates. The accompanying consolidated financial statements have been prepared on the basis of generally accepted accounting principles and prevailing practices within the banking industry in the United States of America. In certain respects, the accompanying consolidated financial statements reflect adjustments which are not included in the consolidated financial statements issued by MTFG and certain of its subsidiaries in accordance with applicable statutory requirements and accounting practices in the countries of incorporation. The major adjustments include those relating to (1) investment securities, (2) derivative financial instruments, (3) allowance for credit losses, (4) income taxes, (5) foreign currency translation, (6) premises and equipment, (7) transfer of financial assets, (8) pension liability, (9) other real estate owned, and (10) lease transactions.

Fiscal periods of certain subsidiaries, which ended on or after December 31, and MTFG's fiscal year, which ended on March 31, have been treated as coterminous. For the fiscal years ended March 31, 2000, 2001 and 2002, the effect of recording intervening events for the three-month periods ended March 31 on MTFG's proportionate equity in net income of subsidiaries with fiscal periods ending on December 31, would have been ¥0.57 billion, ¥4.74 billion and ¥2.29 billion, respectively. No intervening events occurred during each of the three-month periods ended March 31, 2001 and 2002 which, if recorded, would have had effects of more than 1% of total assets, loans, total liabilities, deposits or shareholders' equity as of March 31, 2001 and 2002.

Description of Business

MTFG and its subsidiaries (together, the "MTFG Group") conduct domestic and international financial business through BTM and Mitsubishi Trust, each of the principal subsidiaries of MTFG having domestic and international networks of branches, offices and subsidiaries in Japan and around the world. BTM is a major commercial banking institution, providing a broad range of financial services to consumers and corporations through commercial banking, investment banking and other activities. NTB was one of the major subsidiaries of BTM before the business combination and was acting as a trust vehicle for BTM and was merged with and into Mitsubishi Trust on October 1, 2001. Mitsubishi Trust is a trust and banking subsidiary whose primary business encompasses banking, asset management and administration, fiduciary and agency services, real estate services. MTFG management recognizes that BTM and Mitsubishi Trust, including their subsidiaries, conducting each of their business with substantial autonomy, constitute principal segments of the MTFG Group. See Note 27 for more information by business segment

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term primarily relate to the determination of the allowance for credit losses on loans and off-balance-sheet credit instruments, deferred tax assets, derivative financial instruments, other real estate owned and decline in value of marketable equity securities and impairment of loan portfolio subsequent to the balance-sheet date.

Summary of Significant Accounting Policies

Significant accounting policies applied in the accompanying consolidated financial statements are summarized below:

Consolidation—The consolidated financial statements include the accounts of MTFG and its subsidiaries over which substantive control is exercised through either majority ownership of voting stock and/or other means, including, but not limited to, the possession of the power to direct or cause the direction of the management and policies of entities. In situations in which the MTFG Group has less than 100% but greater than 50% of ownership in entities, such entities are consolidated and minority interests are also recorded in Other Liabilities. Minority interests in earnings or losses of subsidiaries are reported in Other Non-interest Expense. Intercompany items have been eliminated. Investments in affiliated companies (companies over which the MTFG Group has the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in Other Assets. MTFG's equity interest in the earnings of these equity investees and gains or losses realized on disposition of investments are reported in Other Non-interest Income or Expense.

Assets that the MTFG Group holds in an agency, fiduciary or trust capacity are not assets of the MTFG Group and, accordingly, are not included in the accompanying consolidated balance sheets.

Cash Flows—For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the consolidated balance sheets under the caption Cash and Due from Banks, all of which mature within 90 days. Cash flows from qualified hedging activities are classified in the same category as the item being hedged.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions—Financial statements of overseas entities are translated into Japanese yen using the respective year-end exchange rates for assets and liabilities. Income and expense items are translated at average rates of exchange for the respective periods.

Except for overseas entities located in highly inflationary economies, foreign currency translation gains and losses related to the financial statements of overseas entities of the MTFG Group, net of related income tax effects, are credited or charged directly to Foreign Currency Translation Adjustments, a component of accumulated other changes in equity from nonowner sources. Tax effects of gains and losses on foreign currency translation of financial statements of overseas entities are not recognized unless it is apparent that the temporary difference will reverse in the foreseeable future. If applicable, foreign exchange translation gains and losses pertaining to entities located in highly inflationary economies are recorded in Foreign Exchange Gains or Losses—Net, as appropriate. For these entities, premises and equipment and the related depreciation and amortization thereof are translated at exchange rates prevailing at dates of acquisition.

Foreign currency denominated assets and liabilities are translated into Japanese yen at the respective year-end exchange rates and resulting gains or losses are included in earnings. Income and expenses are translated using average rates of exchange for the respective periods. Gains and losses from such translation are included in Foreign Exchange Gains or Losses—Net, as appropriate.

Repurchase Agreements, Securities Lending and Other Secured Financing Transactions—Securities sold with agreements to repurchase ("repurchase agreements") and securities purchased with agreements to resell ("resale agreements") are generally treated as sales of securities with related off-balance-sheet forward repurchase commitments and purchases of securities with related off-balance-sheet forward resale commitments, respectively. Securities lending and borrowing transactions are generally treated as secured financing and lending. A transfer of securities is accounted for as a sale if it meets the relevant conditions for the surrender of control as provided by Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125." If the conditions are not met, the transfer is accounted for as collateralized financing and lending.

On April 1, 2001, the MTFG Group adopted SFAS No. 140, which revises the standards for accounting for the securitization and other transfers of financial assets and collateral, and requires certain disclosures, but carries over most of SFAS No. 125's provisions. SFAS No. 140 is effective for the transfer and servicing of financial assets and extinguishment of liabilities occurring after March 31, 2001, except for certain disclosures of securitizations of financial assets accounted for as sales and disclosures of collateral pledged, which was effective for fiscal years ended after December 15, 2000. SFAS No. 140 modifies the criteria for determining whether the transferor has relinquished control of assets and, therefore, whether the transfer should be accounted for as a sale. The adoption of SFAS No. 140's provisions that are applicable after March 31, 2001 did not have a material impact on the MTFG Group's financial position or results of operations.

Collateral—For secured lending transactions, including resale agreements, securities borrowing transactions, commercial lending and derivative transactions, the MTFG Group, as a secured party, has the right to require collateral, including letters of credit, and cash, securities and other financial assets. The MTFG Group maintains strict levels of collateralization governed by daily mark-to-market analysis for most securities lending transactions. Financial assets pledged as collateral are generally negotiable financial instruments and are permitted to be sold or repledged by secured parties. If the MTFG Group sells these financial assets pledged as collateral, it recognizes the proceeds from the sale and its obligation to return the collateral. For secured borrowing transactions, principally repurchase agreements and securities lending transactions and derivative transactions, where the secured party has the right to sell or repledge financial assets pledged as collateral, the MTFG Group separately reports those financial assets pledged as collateral in the consolidated balance sheets.

Trading Account Securities—Trading account securities (i.e., securities and money market instruments held in anticipation of short-term market movements and for resale to customers) are included in Trading Account Assets, and short trading positions of instruments are included in Trading Account Liabilities. Trading positions are carried at fair value on the consolidated balance sheets and recorded on a trade date basis. Changes in the fair value of trading positions are recognized currently in Trading Account Profits or Losses—Net, as appropriate.

Investment Securities—Debt securities for which the MTFG Group has both the positive intent and ability to hold to maturity are classified as Securities Being Held to Maturity and carried at amortized cost. The MTFG Group maintains a portfolio of securities being held to maturity that had been classified by Mitsubishi Trust before the business combination on April 2, 2001. In the year ended March 31, 2001, BTM changed its intent to hold securities and transferred securities previously classified as held to maturity and transferred such securities to the available-for-sale category. Any remaining securities in BTM's held-to-maturity portfolio were reclassified as securities available for sale for the year ended March 31, 2001. All subsequent acquisitions of securities are classified as either available for sale or trading for at least two years. Debt securities that the MTFG Group may not hold to maturity and marketable equity securities, other than those classified as trading securities, are classified as Securities Available for Sale, and are carried at their fair values, with unrealized gains and losses reported on a net-of-tax basis within accumulated other changes in equity from nonowner sources, which is a component of shareholders' equity. Nonmarketable equity securities are stated at cost as Other Investment Securities. Individual debt and equity securities are written down to fair value and changed to operations when, in the opinion of management, a decline in estimated fair value below the cost of such securities is other than temporary. Interest and dividends on investment securities are reported in Interest Income. Dividends are recognized when the shareholders' right to receive dividend is established. Gains and losses on disposition of investment securities are computed using the average cost method and are recognized on the trade date.

Derivative Financial Instruments—The MTFG Group engages in derivative activities involving swaps, forwards and options, and other types of derivative contracts. Derivatives are used in trading activities to generate trading revenues and fee income for its own account and to respond to the customers' financial needs. Derivatives are also used to manage its exposures to fluctuations in interest and foreign exchange rates, equity and commodity prices.

Derivatives entered into for trading purposes are carried at fair value and are reported as Trading Account Assets or Trading Account Liabilities. Fair values are based on market or broker-dealer quotes when available. Valuation models such as present value and pricing models are applied to current market information to estimate fair values when such quotes are not available. The fair value of derivative contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis. Change in the fair value of such contracts are recognized currently in Foreign Exchange Gains or Losses—Net with respect to foreign exchange contracts and in Trading Account Profit or Losses—Net with respect to interest rate contracts and other types of contracts.

Embedded derivatives that are not clearly and closely related to the host contracts and meet the definition of derivatives are separated from the host contracts and measured at fair value unless the contracts embedding derivatives are measured at fair value in its entirety.

Derivatives are used for asset and liability management to manage exposures to fluctuations in interest and foreign exchange rates arising from mismatches of asset and liability positions. Such derivatives may include contracts that qualify for hedge accounting. Derivatives are evaluated in order to determine if they qualify for hedge accounting. The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged. Any ineffectiveness, which arises during the hedging relationship, is recognized in Non-interest Expense in the period in which it arises. All qualifying hedges are valued at fair value and included in Other Assets or Other Liabilities. For fair value hedges of interest-bearing assets or liabilities, the change in the fair value of the hedged item and the hedging instruments to the extent effective is recognized in net interest income. For all other fair value hedges, the change in the fair value of the hedged item and change in fair value of the derivative are recognized in non-interest income or expense. For cash flow hedges, the unrealized changes in fair value to the extent effective are recognized in accumulated other changes from nonowner sources. Amounts realized on cash flow hedges related to variable rate loans are recognized in net interest income in the period when the cash flow from the hedged item is realized. The fair value of cash flow hedges related to forecasted transactions, if any, is recognized in non-interest income or expense in the period when the forecasted transaction occurs. Any difference that arises from gains or losses on hedging derivatives offsetting corresponding gains or losses on the hedged items, and gains and losses on derivatives attributable to the risks excluded from the assessment of hedge effectiveness are currently recognized in non-interest income or expense. Derivatives that do not qualify for hedge accounting are considered trading positions and are accounted for as such.

Prior to the adoption of SFAS No.133, fair value of derivatives used for hedging purposes generally were not recorded on the consolidated balance sheet. Amounts payable and receivable on interest rate swap and currency swap were accrued according to the contractual terms and included in the related revenue and expense category as an element of the yield on the associated instruments.

On April 1, 2001, the MTFG adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”, as amended by SFAS No. 137 and SFAS No. 138, which establishes accounting and reporting standards for derivative instruments, as well as certain derivative instruments embedded in other contracts, and for hedging activities. The cumulative effect of the change in accounting principle, net of tax, was a gain of ¥5,867 million and an increase of ¥1,257 million in accumulated other changes in equity from nonowner sources.

Loans—Loans are carried at the principal amount outstanding, adjusted for unearned income and deferred net nonrefundable loan fees and costs. Loans held and intended for dispostions or sales in secondary market are carried at the lower of cost or estimated fair value generally on an individual basis. Loan origination fees, net of certain direct origination costs are deferred and recognized over the contractual life of the loan as an adjustment of yield using the method that approximates the interest method. Interest income on loans that are not impaired are accrued and credited to interest income as it is earned. Unearned income and discount and premium of a purchased loan is deferred and recognized over the life of the loan using the method that approximates the interest method.

Loans are generally placed on nonaccrual status when substantial doubt exist as to the full and timely collection of either principal or interest, or when principal or interest is contractually past due, except when the loans are in the process of collection based upon the judgment of management. A nonaccrual loan may be restored to an accrual basis when interest and principal payments are current and management expects that the borrower will make future contractual payments as scheduled. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. Cash receipts on nonaccrual loans, for which the ultimate collectibility of principal is uncertain, are applied as principal reductions; otherwise, such collections are credited to income. The MTFG Group does not capitalize any accrued interest in its principal balances of impaired loans at each balance sheet date.

Loan Securitization—The MTFG Group securitizes and services commercial and industrial loans in the normal course of business. The MTFG Group accounts for a transfer of loans in a securitization transaction as a sale if it meets relevant conditions for the surrender of control in accordance with SFAS No. 140. Otherwise, the transfer is accounted for as a collateralized borrowing transaction. Interests in loans sold through a securitization accounted for as a sale may be retained in the form of subordinated tranches or beneficial interests. These retained interests are primarily recorded in Securities Available for Sale. The previous carrying amount of the loans involved in the transfer is allocated between the loans sold and the retained interest based on their relative fair values at the date of the securitization. Since quoted market prices are generally not available, the MTFG Group usually estimates fair value of these retained interests by determining the present value of future expected cash flows using modeling techniques that involve management’s best estimates of key assumptions, which may include default rates, recovery rates, and discount rates. Retained interests that can contractually be prepaid or otherwise settled in such a way that the MTFG Group would not recover substantially all of its investment are accounted for as investment securities available for sale.

Allowance for Credit Losses—The MTFG Group maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. Actual credit losses (amounts deemed uncollectible, in whole or in part), net of recoveries, are deducted from the allowance for credit losses, as net charge-offs. A provision for credit losses, which is a charge against earnings, is added to bring the allowance to a level which, in management’s opinion, is appropriate to absorb probable losses inherent in the credit portfolio.

A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, the MTFG Group evaluates the probable loss by category of loan based on its type and characteristics.

The allowance for credit losses for non-homogeneous loans consists of an allocated allowance for specifically identified problem loans, an allocated allowance for country risk exposure, a formula allowance, an unallocated allowance. An allocated allowance is also established for large groups of smaller-balance homogeneous loans. Non-homogeneous loans such as commercial loans are evaluated individually and the allowance for such loans is comprised of specific, country risk, formula and unallocated allowances.

The credit loss allowance for individual customers represents the impairment allowance determined in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." The MTFG Group measures the impairment of a loan, with the exception of groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, based on the present value of expected future cash flows discounted at the loan's effective interest rate, or on the loan's observable market price, or based on the fair value of the collateral if the loan is collateral dependent, when it is probable that the MTFG Group will be unable to collect all amounts due according to the contractual terms of the loan agreement. For certain subsidiaries, some impaired loans are aggregated for the purpose of measuring impairment using historical loss factors. Generally, the MTFG Group's impaired loans include nonaccrual loans, restructured loans and other loans specifically recognized for impairment.

The credit loss allowance for country risk exposure is a country-specific allowance for substandard, special mention and unclassified loans. The allowance is established to supplement the formula allowance for these loans, based on an estimate of probable losses relating to the exposure to countries that are identified by management to have a high degree of transfer risk. The measure is generally based on a function of default probability and recovery ratio with reference to external credit ratings. For allowance for specifically identified cross-border problem loans, the MTFG Group incorporates transfer risk in its determination of related allowance for credit losses.

The formula allowance is calculated by applying loss factors to outstanding substandard, special mention and unclassified loans. The evaluation of inherent loss for these loans involves a high degree of uncertainty, subjectivity and judgment because probable credit losses are not easily identifiable or measurable. In determining the formula allowance, the MTFG Group, therefore, relies on a mathematical calculation that incorporates loss factor percentages of total loans outstanding based on historical experience. Corresponding to the periodical impairment identification and self-assessment process, the estimation of formula allowance is back-tested comparing with the actual results subsequent to the balance sheet date. With respect to BTM, before the fiscal year ended March 31, 2001, the average annual charge-offs rate over a designated time period by the category of substandard, special mention and unclassified loans was used as a basis for the historical loss experience, adjusted for recent changes in trends and economic conditions. On April 1, 1996, BTM implemented a new credit rating system to capture default data by credit risk rating and started accumulating historical data for borrowers' default and recovery from defaulted loans. On March 31, 2001, BTM decided that it had accumulated sufficient data and began estimating credit losses using methodology defined by the new credit rating system. Estimated losses inherent in the loan portfolio at the balance sheet date are calculated by multiplying the default ratio by the irrecoverable ratio (determined as a complement of the recovery ratio). The default ratio represents the survivability of individual borrowers by each credit risk rating over the defined observation period and is determined by credit risk rating, taking into account the historical number of defaults of borrowers within each credit risk rating divided by the total number of borrowers within such credit risk rating existing at the beginning of the observation period. The recovery ratio is determined by the historical experience of collections against loans in default. This change resulted in an increase to the provision for credit losses of ¥17,620 million, and an increase in net loss of ¥10,924 million, equivalent to ¥2.34 per basic and diluted loss per share, for the year ended March 31, 2001.

The unallocated allowance is composed of attribution factors, which are based upon management's evaluation of various conditions that are not directly measured in the determination of the allocated allowance. The conditions evaluated in connection with the unallocated allowance may include existing general economic and business conditions affecting the key lending areas of the MTFG Group, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions within portfolio segments, recent loss experience in particular segments of the portfolio, duration of the current business cycle, bank regulatory examination results and findings of the MTFG Group's internal credit examiners.

The credit loss allowance for large groups of smaller-balance homogeneous loans is focused on loss experience for the pool rather than on a detailed analysis of individual loans. The allowance is determined primarily based on probable net charge-offs and the probability of insolvency based on the number of delinquencies.

Allowance for Off-Balance-Sheet Credit Instruments—The MTFG Group maintains an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, standby letters of credit and other financial instruments. The allowance is recorded as a liability and includes the specific allowance for specifically identified credit exposure and the allocated formula allowance. With regard to the specific allowance for specifically identified credit exposure and allocated formula allowance, the MTFG Group adopts the same methodology used in determining the allowance for loan credit losses. As described in "Allowance for Credit Losses" above, in the year ended March 31, 2001 BTM refined its methodology for estimating credit losses. Credit losses related to derivatives carried at fair value are considered in the fair valuation of the derivatives.

The MTFG Group periodically assesses the credit exposures related to individual investment assets within trust accounts in order to determine the level of allowance required for guarantees for repayment of certain trust principal. Provisions for credit losses are recognized in the consolidated financial statements when, in the opinion of management, aggregate credit losses are judged to exceed the statutory reserve set aside within the trust account and profits earned during each trust accounting period, and the trust principal is deemed to be impaired.

Net changes in the allowance for off-balance-sheet credit instruments are accounted for as Other Non-interest Expense.

Premises and Equipment is stated at cost less accumulated depreciation and amortization. Depreciation is charged to operating expenses over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the terms of the respective leases or the estimated useful lives of the improvements, whichever are shorter. Depreciation of premises and equipment is computed under the declining-balance method with respect to premises and equipment of BTM, Mitsubishi Trust and certain other subsidiaries, and under the straight-line method with respect to premises and equipment of other subsidiaries, at rates principally based on the following estimated useful lives:

	Years
Buildings	15 to 50
Equipment and furniture	2 to 15
Leasehold improvements	3 to 39

Maintenance, repairs and minor improvements are charged to operating expenses as incurred. Major improvements are capitalized. Net gains or losses on dispositions of premises and equipment are included in Other Non-interest Income or Expense, as appropriate.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount to future undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less estimated cost to sell.

Other Real Estate Owned—Real estate assets acquired in full or partial satisfaction of debt are held for sale, and are initially recorded at fair value less estimated cost to sell at the date of acquisition and classified as Other Assets. After acquisition, valuations are periodically performed by management and the real estate assets are carried at the lower of the carrying amount or fair value less estimated cost to sell. Routine holding costs, subsequent declines in appraisal value, and net gains or losses on disposal are included in Losses on Other Real Estate Owned as incurred.

Goodwill—The MTFG Group has classified as goodwill (included in Other Assets) the excess of the cost of the MTFG Group's investments in subsidiaries and affiliated companies over the MTFG Group's share of net assets at dates of acquisition in purchase transactions. Goodwill is being amortized over periods not exceeding 10 years. Semiannually, the MTFG Group assesses the recoverability of goodwill for impairment. For that purpose, the MTFG Group generally uses expected future undiscounted cash flows to be produced by each subsidiary and affiliated company. Future cash flows are primarily provided from operating activities and the MTFG Group focuses on the historical results of operations, adjusted for current earnings projections and certain available information, in order to estimate future cash flows. When goodwill exceeds the expected future undiscounted cash flows, an impairment is calculated as the difference between the present value of expected future cash flows and its carrying value. On April 1, 2002, the MTFG Group adopted SFAS No. 140, "Goodwill and Other Intangible Assets," which provides goodwill acquired in a purchase business combination should not be amortized and is subject to the impairment test. Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. An impairment loss, if any, will be recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

Software—The MTFG Group capitalizes certain costs associated with the acquisition or development of internal-use software. Costs subject to capitalization are salaries and employee benefits for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project. Once the software is ready for its intended use, the MTFG Group begins to amortize capitalized costs on a straight-line basis over a period not longer than 5 years.

Accrued Severance and Pension Liabilities—BTM, Mitsubishi Trust and certain other subsidiaries have defined benefit retirement plans, including lump-sum severance indemnities plans. The costs of the plans, based on actuarial computations of current and future employee benefits, are charged to Salaries and Employee Benefits.

Debentures and Long-Term Debt—Premiums, discounts and issuance costs of debentures and long-term debt are amortized based on the method that approximates the interest method over the terms of the debentures and long-term debt.

Fees and Commissions—Commission and fees on international business primarily consist of fees from international funds transfer and collection services, and trade-related financing services. Commissions and fees on credit card business are composed of interchange income, annual fees, royalty and other service charges from franchisees. Other fees and commissions primarily include fees from investment banking service, including underwriting, brokerage and advisory services, arrangement fees on securitizations, service charges on deposit accounts, fees on guarantees, and fees on other services.

Revenue recognition of major components of fees and commissions is as follows; (1) fees on funds transfer and collection services, fees from investing banking services are generally recognized as revenue when the related services are performed, (2) fees from trade-related financing services are recognized over the period of the financing, (3) trust fees are recorded on an accrual basis, generally based on the volume of trust assets under management and/or the operating performance for the accounting period of each trust account. With respect to trust accounts with guarantee of trust principal, trust fees are determined based on the profits earned by individual trust account during the trust accounting period, less provision for statutory reserve, impairment for individual investments and dividends paid to beneficiary certificate holders. The trust fees for these trust accounts are accrued based on the amounts expected to be earned during the accounting period of each trust account, (4) annual fees and royalty and other service charges related to the credit card business are recorded on a straight-line basis as services are provided, (5) interchange income from credit card business is recognized as billed, (6) service charges on deposit accounts, fees on guarantees, and fees and commissions from other services are generally recognized over the period that the service is provided.

Income Taxes—The provision for income taxes is determined using the asset and liability method of accounting for income taxes. Under this method, deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized. The provision for deferred taxes is based on the change in the net deferred tax asset or liability from period to period.

Free Distributions of Common Shares—As permitted by the Commercial Code of Japan (the "Code"), Japanese companies, upon approval by the Board of Directors, may make a free distribution of shares, in the form of a "stock split" as defined, to shareholders. In accordance with accepted accounting practice in Japan, such distribution does not give rise to any change in capital stock or capital surplus account. Common shares distributed are recorded as shares issued on the distribution date. See Note 19.

Amounts per Common Share—Basic earnings per share ("EPS") excludes dilutive effects of potential common shares and is computed by dividing income available to common stock shareholders by the weighted average number of common shares outstanding for the period, while diluted EPS gives effect to all dilutive potential common shares that were outstanding during the period. See Note 22 for the computation of basic and diluted EPSs.

Comprehensive Income (Loss)—The MTFG Group's comprehensive income includes net income or loss and other changes in equity from nonowner sources. All changes in unrealized gains and losses on investment securities available for sale, unrealized gains and losses on derivatives qualifying for cash flow hedges, minimum pension liability adjustments and foreign currency translation adjustments constitute the MTFG Group's changes in equity from nonowner sources and are presented, with related income tax effect, in the consolidated statements of changes in equity from nonowner sources.

Recently Issued Accounting Pronouncements

Business Combination, Goodwill and Other Intangible Assets—Effective July 1, 2001, the MTFG Group adopted, the provisions of SFAS No. 141, "Business Combination," and certain provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" as required for goodwill and intangible assets resulting from business combinations consummated after June 31, 2001. These statements require that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. The nonamortization provisions of the new rules affecting goodwill and intangible assets deemed to have indefinite lives are effective for all purchase business combinations completed after June 30, 2001. Based on amortization expense recorded in the year ended March 31, 2002, the MTFG Group estimates that the elimination of goodwill amortization expense will increase net income by approximately ¥8 billion subject to the impairment test. SFAS No. 142 became effective for the MTFG Group on April 1, 2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 142 requires that goodwill be recorded at the reporting unit level for the impairment test. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. At March 31, 2002, the MTFG Group had unamortized goodwill of ¥41,386 million. The MTFG Group have not completed the study of assessment of goodwill and cannot reasonably estimate the impact of the impairment loss, if any, as a result of the adoption of SFAS No. 142.

Impairment or Disposal of Long-Lived Assets—In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets by establishes additional criteria as compared to existing generally accepted accounting principles to determine when a long-lived asset is held for sale. It also broadens the definition of discontinued operations. The MTFG Group does not expect the adoption of SFAS No. 144 to have a material impact on the results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). The provisions of SFAS No. 145 related to the rescission of Statement No. 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30 for classification as an extraordinary item shall be reclassified. The provisions of this Statement related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of SFAS No. 145 are effective for financial statements issued on or after May 15, 2002. The MTFG Group does not expect the adoption of SFAS No.145 to have a material impact on the results of operations or financial position.

2. BUSINESS COMBINATION

As discussed in Note 1, on April 2, 2001, MTFG was established as a bank holding company through which BTM, Mitsubishi Trust and NTB have become wholly-owned subsidiaries pursuant to stock-for-stock exchanges. 5,742 thousand shares of MTFG's common stock were issued in exchange for all of the outstanding shares of BTM's, Mitsubishi Trust's and NTB's common stock based on exchange ratio of 1.00, 0.70 and 0.14 shares of MTFG's common stock for each 1,000 shares of BTM, Mitsubishi Trust and NTB, respectively. Each 1,000 shares of BTM's Class 1 Preferred Stock and each 1,000 shares of Mitsubishi Trust's Class 1 Preferred Stock were exchanged for a share of Class 1 and Class 2 Preferred Stock of MTFG, respectively. The business combination was accounted for under the pooling-of-interests method and, accordingly, the historical financial information has been restated as if the business combination had been in effect for all the periods presented.

The stock-for-stock exchanges also involved the exchange of 27,951 shares of MTFG's common stock of ¥33.0 billion at fair value with 199,655 thousands of common shares held by NTB's minority shareholders, which has been accounted for as a purchase.

The following table sets forth certain financial data with respect to the combined and separate results of BTM and Mitsubishi Trust for the two years ended March 31, 2001. The results for NTB are included within BTM because NTB had been a consolidated subsidiary of BTM before the consummation of the business combination.

	2000	2001
	(in millions)	
Interest income and non-interest income:		
BTM	¥2,326,137	¥2,561,842
Mitsubishi Trust	503,643	674,135
Total	2,829,780	3,235,977
Adjustments to eliminate securities unrealized losses and impairment losses of cross-shareholding of common stock	—	23,827
Adjustment to reflect the combining interests in consolidated subsidiaries and equity method investees	79	413
Elimination of other intercompany transactions	(6,899)	(21,419)
Reclassification to conform to the combined presentation of MTFG (see note)	(137,425)	—
Combined, as restated	¥2,685,535	¥3,238,798
Net income (loss):		
BTM	¥ 35,475	¥ (107,684)
Mitsubishi Trust	(83,330)	36,874
Total	(47,855)	(70,810)
Adjustments to eliminate securities unrealized losses and impairment losses of cross-shareholding of common stock, net of related income taxes	228	14,914
Adjustment to reflect the combining interests in consolidated subsidiaries and equity method investees, net of income taxes	1,019	431
Elimination of other intercompany transactions	(934)	(3,709)
Combined, as restated	¥ (47,542)	¥ (59,174)
Accumulated other changes in equity from nonowner sources:		
BTM	¥1,250,231	¥ 620,701
Mitsubishi Trust	386,280	274,363
Total	1,636,511	895,064
Adjustments to eliminate securities unrealized losses and impairment losses of cross-shareholding of common stock, net of related income taxes	6,910	12,494
Adjustment to reflect the combining interests in consolidated subsidiaries and equity method investees, net of income taxes	(575)	(134)
Combined, as restated	¥1,642,846	¥ 907,424

Note: The combined and restated amounts of interest income and non–interest income presented above reflect reclassifications of certain revenue and expense items, including foreign exchange gains or losses, investment securities gains or losses and trading account profits and losses, all of which are presented on a net basis as non–interest income or expense in the MTFG Group's statements of operations.

On October 1, 2001, as part of the business combination, NTB and The Tokyo Trust Bank, Ltd.("TTB"), which was another one of trust subsidiaries, merged with and into Mitsubishi Trust through a stock-for-stock exchange. This merger was recorded at historical cost as transfers and exchanges among entities under common control.

3. TRADING ACCOUNT ASSETS AND LIABILITIES

The following table shows trading account assets and liabilities, carried at estimated fair value, at March 31, 2001 and 2002. For trading derivative contracts executed under legally enforceable master netting agreements, related assets and liabilities are bilaterally offset and reported net by counterparty.

	March 31	
	2001	2002
	(in millions)	
Trading account assets:		
Trading securities:		
Japanese government, prefectual and municipal bonds	¥ 2,287,456	¥ 1,425,588
Commercial paper	1,151,217	2,804,750
Foreign governments bonds and other securities	540,298	789,344
Total	3,978,971	5,019,682
Trading derivative assets:		
Interest rate contracts:		
Forward and futures	123,523	141,377
Swap and swap-related products	3,374,162	3,501,232
Options purchased	89,236	75,371
Total	3,586,921	3,717,980
Foreign exchange contracts:		
Forward and futures	1,204,655	612,148
Swaps	398,715	463,794
Options purchased	97,931	73,369
Total	1,701,301	1,149,311
Other contracts, mainly equity and credit-related contracts	133,697	178,481
Bilateral netting of derivatives under master netting agreements	(2,257,581)	(2,568,201)
Total	¥ 7,143,309	¥ 7,497,253
Trading account liabilities:		
Trading securities sold, not yet purchased	¥ 1,451,401	¥ 176,954
Trading derivative liabilities:		
Interest rate contracts:		
Forward and futures	129,907	140,695
Swap and swap-related products	2,863,792	3,122,510
Options written	79,010	78,720
Total	3,072,709	3,341,925
Foreign exchange contracts:		
Forward and futures	1,184,923	740,248
Swaps	436,925	625,064
Options written	80,336	66,977
Total	1,702,184	1,432,289
Other contracts, mainly equity and credit-related contracts	104,094	112,801
Bilateral netting of derivatives under master netting agreements	(2,257,581)	(2,568,201)
Total	¥ 4,072,807	¥ 2,495,768

See Note 29 for the methodologies and assumptions used to estimate the fair values.

The MTFG Group performs trading activities through market-making, sales and arbitrage, while maintaining risk levels within appropriate limits in accordance with its risk management policy. Net trading gains or losses for the years ended March 31, 2000, 2001 and 2002 comprised the following:

	2000	2001	2002
		(in millions)	
Interest rate and other derivative contracts	¥(125,679)	¥ 199,445	¥149,301
Foreign exchange derivative contracts	82,220	(156,113)	(78,020)
Trading account securities, excluding derivatives	(17,386)	30,063	(10,841)
Net trading gains (losses)	¥ (60,845)	¥ 73,395	¥ 60,440

4. INVESTMENT SECURITIES

The amortized costs and estimated fair values of investment securities available for sale and being held to maturity at March 31, 2001 and 2002 were as follows:

	2001				2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
				(in millions)				
Securities available for sale:								
Debt securities:								
Japanese national government and Japanese government agency bonds	¥ 7,940,554	¥ 87,352	¥ 9,219	¥ 8,018,687	¥ 9,887,613	¥ 67,280	¥ 3,643	¥ 9,951,250
Japanese prefectural and municipal bonds	313,124	10,383	—	323,507	509,850	10,439	224	520,065
Foreign governments and official institutions bonds	1,855,497	45,614	8,823	1,892,288	2,761,296	106,298	44,940	2,822,654
Corporate bonds	2,419,632	40,061	9,703	2,449,990	2,232,789	64,976	8,198	2,289,567
Mortgage-backed securities	2,110,821	28,402	3,467	2,135,756	1,463,274	80,779	13,087	1,530,966
Other debt securities	264,409	521	85	264,845	623,624	61,185	4,986	679,823
Marketable equity securities	4,274,469	2,463,485	92,112	6,645,842	3,877,975	2,010,664	400,148	5,488,491
Total	¥19,178,506	¥2,675,818	¥123,409	¥21,730,915	¥21,356,421	¥2,401,621	¥475,226	¥23,282,816
Securities being held to maturity—debt securities:								
Japanese government agency bonds	¥ 114,489	¥ 5,629	¥ —	¥ 120,118	¥ 89,945	¥ 4,321	¥ —	¥ 94,266
Japanese prefectural and municipal bonds	116,773	5,711	2	122,482	107,544	4,754	2	112,296
Foreign governments and official institutions bonds	72,469	3,306	14	75,761	69,529	3,293	—	72,822
Corporate bonds	2,476	90	—	2,566	2,664	95	—	2,759
Other debt securities	—	—	—	—	2,481	100	—	2,581
Total	¥ 306,207	¥ 14,736	¥ 16	¥ 320,927	¥ 272,163	¥ 12,563	¥ 2	¥ 284,724

Investment securities other than available for sale or being held to maturity (i.e., nonmarketable equity securities presented in Other investment securities) were carried at cost of ¥168,547 million and ¥129,498 million, at March 31, 2001 and 2002, respectively. The corresponding estimated fair values at those dates were not readily determinable.

See Note 29 for the methodologies and assumptions used to estimate the fair values.

The amortized cost and estimated fair value of debt securities being held to maturity and the estimated fair value of debt securities available for sale at March 31, 2002 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their original final maturities.

	Held-to-Maturity		Available-for-Sale
	Amortized Cost	Estimated Fair Value	Estimated Fair Value
		(in millions)	
Due in one year or less	¥ 67,992	¥ 69,782	¥ 4,722,980
Due from one year to five years	112,575	118,888	9,868,444
Due from five years to ten years	91,596	96,054	2,359,905
Due after ten years	—	—	842,996
Total	¥272,163	¥284,724	¥17,794,325

For the years ended March 31, 2000, 2001 and 2002, proceeds from sales of securities available for sale were ¥28,887,875 million, ¥31,027,773 million and ¥34,164,318 million, respectively. For the years ended March 31, 2000, 2001 and 2002, gross realized gains on those sales were ¥394,863 million, ¥605,014 million and ¥492,145 million, respectively, and gross realized losses on those sales were ¥131,791 million, ¥107,640 million and ¥172,427 million, respectively. In September 2000, BTM changed its intent to hold securities originally classified as held-to-maturity and transferred ¥369 billion (carrying value) of such securities to the securities available for sale category while Mitsubishi Trust maintained its positive intent and ability to hold its held-to-maturity securities without any sales or transfers of securities being held to maturity during the years ended March 31, 2000 and 2001. As a result of the transfer, unrealized gains on securities available for sale were recorded against shareholders' equity and were not significant. The MTFG Group classifies all acquisitions of securities as either available for sale or trading for the period of two years after BTM's transfer of securities being held to maturity into another category.

For the years ended March 31, 2000, 2001 and 2002, losses resulting from write-downs of investment securities to reflect the decline in value considered to be other than temporary were ¥184,581 million, ¥264,783 million and ¥293,861 million, respectively.

Exchange Traded Fund

During the year ended March 31, 2002, BTM transferred marketable equity securities to an exchange-traded fund ("ETF"), sponsored by an independent securities firm, BTM concurrently entered into the two separate agreements with the independent securities firm and BTM sold its marketable equity securities of ¥325,749 million at acquisition cost to an independent securities firm at the fair value of ¥391,698 million in accordance with these agreements. The securities firm contributed these marketable equity securities and additional securities purchased from the market to the ETF in order to link the ETF performance to TOPIX. Certificates issued by the ETF (the "ETF certificates") are linked to TOPIX (a composite index of all stocks listed on the first section of the Tokyo Stock Exchange ("TSE")) and have been listed on TSE. BTM purchased the ETF certificates at the fair value of ¥527,967 million with an intention to sell them in the market or to the securities firm in the near future.

The MTFG Group accounted for the ETF certificates purchased from the securities firm as retained interests in the marketable equity securities transferred to the securities firm. The MTFG Group accounted for the transfer of marketable equity securities as a sale when the MTFG Group received as proceeds cash or financial instruments other than the ETF certificates. During the year ended March 31, 2002, the MTFG Group recognized a gain of ¥35,442 million on the sales of the marketable equity securities. At March 31, 2002, the MTFG Group held the ETF certificates of ¥91,252 million at fair value in the Securities Available for Sale. The ETF certificates are carried at fair value based on the market prices observed in TSE and the fair value change is closely linked with the movement of TOPIX (1,060.19 points at March 29, 2002).

Banks' Shareholdings Purchase Corporation

Under a law forbidding banks from holding stocks in excess of their primary (Tier 1) capital after September 30, 2004, which was enacted in November 2001, the Banks' Shareholdings Purchase Corporation ("BSPC") was established in late January 2002 in order to soften the impact on the stock market of sales of cross-shareholdings. BSPC began accepting share offers from financial institutions on February 15, 2002. It has been funded by financial institutions, including BTM and Mitsubishi Trust, which made initial contributions of ¥2,000 million ("preferred contributions"). BSPC started to purchase marketable equity securities beginning in February 2002 for a period through September 2006, and will be disbanded when BSPC sells all shares that it purchased from financial institutions, or by January 2012 at the latest.

BSPC has set up two accounts to facilitate selling of cross-shareholdings; the General Account and the Special Account. In the General Account, each selling financial institution funds the amount of purchase by BSPC without guarantees by the Japanese government, and the financial institution will assume any gains or losses on sales by BSPC of the stocks. In the Special Account, each selling financial institution has to make a contribution of 8% of the selling prices to BSPC to fund any future losses ("subordinated contributions"). The purchase amount in the Special Account is funded by borrowings guaranteed by the Japanese government with a limit of ¥2.0 trillion. The cumulative net loss on sales of stocks in the Special Account, which will not be determined and finalized before the liquidation of BSPC, will be compensated by the subordinated contributions at first, and then by the preferred contributions. If there is a remaining loss, the government, as a guarantor, will be liable for the loss. On the other hand, if there is a cumulative net asset at the time of the liquidation, the asset is used to repay the initial contributions at first and to repay the subordinated contributions next, and any remaining asset will be paid out as dividends on the contributions. The remaining gain, if any, will belong to the Japanese government.

At the establishment, BTM and Mitsubishi Trust paid ¥2,000 million in total to BSPC as initial contributions (preferred contributions). In March 2002, BTM and Mitsubishi Trust sold marketable equity securities with a fair value of ¥20,647 million to the Special Account, and contributed ¥1,652 million, an amount equivalent to 8% of the sale price (subordinated contributions). Also, BTM and Mitsubishi Trust made loans of ¥35,600 million to fund BSPC's purchases of marketable equity securities, which are guaranteed by the government.

The MTFG Group accounts for the sales of marketable equity securities to the General Account, if any, as secured borrowings, and sales to the Special Account as sales with subordinated contributions as proceeds of the sales. For the year ended March 31, 2002, the MTFG Group recognized a gain of ¥5,913 million on the sale of marketable equity securities to the Special Account. Preferred and subordinated contributions are recorded at cost less any impairment in Other Assets.

5. LOANS

Loans at March 31, 2001 and 2002 by domicile and type of industry of borrower are summarized below:

	2001	2002
	(in millions)	
Domestic:		
Manufacturing	¥ 6,451,672	¥ 6,394,459
Construction	1,726,278	1,535,191
Real estate	5,272,787	4,923,688
Services	4,763,938	4,549,692
Wholesale and retail	6,592,660	5,983,958
Banks and other financial institutions	4,069,828	4,271,182
Other industries	2,797,419	3,850,153
Consumer	6,934,440	7,049,095
Total domestic	38,609,022	38,557,418
Foreign:		
Governments and official institutions	315,321	326,086
Banks and other financial institutions	783,501	680,449
Commercial and industrial	8,820,141	9,708,102
Other	1,173,223	1,000,044
Total foreign	11,092,186	11,714,681
Less unearned income and deferred loan fees	30,305	42,374
Total	¥49,670,903	¥50,229,725

Substantially all domestic loans are made under agreements which, as customary in Japan, provide that a bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for loans or otherwise, as collateral for all indebtedness to the bank. At March 31, 2001 and 2002, such collateralized loans originated by the MTFG Group, which were principally collateralized by real estate, marketable securities and accounts receivable, amounted to ¥9,340,354 million and ¥9,003,420 million, respectively, which represented 24% and 23%, respectively, of the total domestic outstanding loans at March 31, 2001 and 2002.

Nonaccrual and restructured loans were ¥4,245,397 million and ¥4,141,942 million at March 31, 2001 and 2002, respectively. Had interest on these loans been accrued at the original terms of agreement, gross interest income on such loans for the years ended March 31, 2001 and 2002 would have been approximately ¥105.6 billion and ¥101.1 billion, respectively, of which approximately ¥78.2 billion and ¥75.4 billion, respectively, was included in interest income on loans in the accompanying consolidated statements of operations. Accruing loans contractually past due 90 days or more were ¥27,397 million and ¥23,040 million at March 31, 2001 and 2002, respectively.

Impaired Loans

Generally, the MTFG Group's impaired loans include nonaccrual loans, restructured loans and other loans specifically recognized for impairment. A summary of the recorded balances of impaired loans and related impairment allowance at March 31, 2001 and 2002 is shown below:

	2001		2002	
	Recorded Loan Balance	Impairment Allowance	Recorded Loan Balance	Impairment Allowance
	(in millions)			
Requiring an impairment allowance	¥3,650,932	¥1,243,855	¥3,556,557	¥1,296,281
Not requiring an impairment allowance	551,411	—	489,131	—
Total	¥4,202,343	¥1,243,855	¥4,045,688	¥1,296,281

The average recorded investments in impaired loans were approximately ¥3,108 billion, ¥3,217 billion and ¥4,209 billion, respectively, for the years ended March 31, 2000, 2001 and 2002.

For the years ended March 31, 2000, 2001 and 2002, the MTFG Group recognized interest income of approximately ¥21.8 billion, ¥57.1 billion and ¥77.0 billion, respectively, on impaired loans. Interest income on nonaccrual loans was recognized on a cash basis unless ultimate collectibility of principal is certain, in which cash receipts are applied as principal reductions. Interest income on accruing impaired loans, including restructured loans and other loans specifically recognized for impairment, was recognized on an accrual basis to the extent that the collectibility of interest income was reasonably certain based on management's assessment.

Lease Receivable

As part of its financing activities, the MTFG Group enters into leasing arrangements with customers. The MTFG Group's leasing operations are performed through leasing subsidiaries and consist principally of direct financing leases involving various types of data processing equipment, office equipment and transportation equipment.

As of March 31, 2001 and 2002, the components of the investment in direct financing leases were as follows:

	2001	2002
	(in millions)	
Minimum lease payment receivable	¥409,714	¥510,180
Estimated residual values of leased property	31,999	49,225
Less—unearned income	(27,110)	(47,251)
Net investment in direct financing leases	¥414,603	¥512,154

Future minimum lease payment receivables under noncancelable leasing agreements as of March 31, 2002 are as follows:

	Direct Financing Leases
	(in millions)
Year ending March 31:	
2003	¥135,617
2004	112,570
2005	96,343
2006	63,807
2007	34,717
2008 and thereafter	67,126
Total minimum lease payment receivables	¥510,180

Government-led Loan Restructuring Program

Under the legislation enacted by the Japanese Diet in June 1996, which incorporates the restructuring program for the loans of seven failed housing-loan companies (the "Jusen"), the Deposit Insurance Corporation ("DIC") established a Housing Loan Corporation ("HLAC") to collect and dispose of the loans of the liquidated Jusen. In 1999, HLAC merged with the Resolution and Collection Bank Limited to create the Resolution and Collection Corporation ("RCC"). RCC is wholly owned by DIC.

Financial institutions, including the MTFG Group, waived the repayment of substantial amounts of the loans to Jusen and transferred the remaining balances to HLAC. Financial institutions were requested to make loans to HLAC to finance its collection activities, and in the year ended March 31, 1997 the MTFG Group made loans of ¥407,078 million, which were included in the loan portfolio as of March 31, 2001, and 2002. The 15-year term loans to HLAC, which are guaranteed by DIC under the legislation and the loan agreements, mature in 2011 and earn interest at TIBOR (Tokyo Interbank Offered Rate) plus 0.125%. The terms and conditions on the loans of other financial institutions to HLAC are the same except for agricultural financial institutions.

Under this restructuring program, a Financial Stabilization Fund (the "Special Fund") was established within DIC, and The Bank of Japan and other financial institutions established another fund (the "New Fund"). These funds are principally invested in Japanese government bonds. The MTFG Group made non-interest-earning deposits of ¥176,089 million with the Special Fund and the New Fund in the year ended March 31, 1997. The deposit balances as of March 31, 2001 and 2002, which are included in Other Assets, were ¥128,749 million and ¥132,655 million, respectively, reflecting a present value discount and subsequent amortization of the discount during the period until the expected maturity date. The non-interest-earning deposits with these funds are expected to mature in 15 years from the deposit dates, which coincides with the planned operational lifespan of HLAC.

It is uncertain what losses (so-called Stage Two Loss), if any, may ultimately be incurred by RCC through the collection of the Jusen loans during the 15-year term. If any such losses ultimately occur, the Japanese government will be liable for half of such losses, and the investment income to be earned by the Special Fund during the 15 years is to be used to cover the remaining half of the losses. The investment income to be earned by the New Fund during the 15 years is used to compensate for a portion of the public funds used for the Jusen restructuring.

Although the impact on future financial results is subject to reasonable estimation, at this time management believes all loans and deposits will be collectible according to their respective terms.

Loan Securitization

The MTFG Group had no significant transfers of loans in securitization transactions accounted for as sales for the years ended March 31, 2001 and 2002, and did not retain any significant interests associated with loans transferred in securitizations at March 31, 2002.

6. ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses for the years ended March 31, 2000, 2001 and 2002 are shown below:

	2000	2001	2002
		(in millions)	
Balance at beginning of year	¥1,813,680	¥1,486,212	¥1,716,984
Provision for credit losses	372,449	797,081	601,689
Charge-offs	724,032	644,439	669,381
Less—Recoveries	44,296	46,077	65,977
Net charge-offs	679,736	598,362	603,404
Other, principally foreign exchange translation adjustments	(20,181)	32,053	19,911
Balance at end of year	¥1,486,212	¥1,716,984	¥1,735,180

7. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 2001 and 2002 consisted of the following:

	2001	2002
	(in millions)	
Land	¥ 215,090	¥ 200,191
Buildings	451,810	443,828
Equipment and furniture	479,659	530,380
Leasehold improvements	288,301	232,509
Construction in progress	3,329	3,294
Total	1,438,189	1,410,202
Less accumulated depreciation	748,526	728,836
Premises and equipment—net	¥ 689,663	¥ 681,366

Premises and equipment include capitalized leases, principally related to data processing equipment, which amounted to ¥62,839 million of acquisition cost at March 31, 2001 and ¥37,763 million at March 31, 2002. Accumulated depreciation on such capitalized leases at March 31, 2001 and 2002 amounted to ¥14,916 million and ¥17,627 million, respectively.

Depreciation expense of premises and equipment for the years ended March 31, 2000, 2001 and 2002 was ¥73,389 million, ¥61,482 million and ¥68,162 million, respectively.

In March 1999, BTM sold a 50% undivided interest in each of its head office land and building (including structure and equipment) for ¥91,500 million and of its main office land and building (including structure and equipment) for ¥9,100 million to a real estate company. At the same time, BTM entered an agreement to lease back the 50% undivided interests of the buildings sold from the buyer over a period of 7 years. BTM accounted for these transactions as financing arrangements, and recorded the total proceeds of ¥100,600 million as a financing obligation. Under the lease agreement, BTM made non-interest-bearing deposits of ¥8,000 million with the buyer-lessor in March 1999. The lease payments are determined each year upon negotiations with the buyer-lessor, based on future market conditions and expenditures for significant improvements and related expenses of the buildings to be born by the buyer-lessor. The lease agreement is noncancelable during the lease period of 7 years. At the end of lease, BTM has no obligations or options specified in the lease agreement.

At March 31, 2001 and 2002, the financing obligation was ¥101,210 million and ¥101,806 million, respectively, and total rental payments amounted to ¥6,372 million and ¥6,504 million, respectively, for the years ended March 31, 2001 and 2002.

8. INCOME TAXES

The detail of current and deferred income tax expense or benefit for the years ended March 31, 2000, 2001 and 2002 was as follows:

	2000	2001	2002
		(in millions)	
Current:			
Domestic	¥ 164,354	¥ 53,683	¥ (8,612)
Foreign	49,238	49,452	39,454
Total	213,592	103,135	30,842
Deferred:			
Domestic	(132,333)	(41,730)	(118,358)
Foreign	(31,099)	1,358	(14,316)
Total	(163,432)	(40,372)	(132,674)
Income tax expense (benefit)	50,160	62,763	(101,832)
Income tax expense reported in cumulative effect of a change in accounting principle	—	—	3,523
Income tax expense (benefit) reported in shareholders' equity relating to:			
Investment securities available for sale	486,466	(446,711)	(229,943)
Cumulative effect of a change in accounting principle	—	—	808
Derivatives qualifying for cash flow hedges	—	—	1,289
Minimum pension liability adjustments	16,185	(39,735)	(30,815)
Foreign currency translation adjustments	(11,050)	16,853	5,444
Total	491,601	(469,593)	(253,217)
Total	¥ 541,761	¥(406,830)	¥(351,526)

Income taxes in Japan applicable to the MTFG Group are imposed by the national, prefectural and municipal governments, and in the aggregate resulted in a normal effective statutory rate of approximately 41.9%, 38.9% and 38.0%, respectively, for the years ended March 31, 2000, 2001 and 2002. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

On March 30, 2000, the Tokyo Metropolitan Assembly passed a new tax rule that changed the basis on which it taxes large banks doing business in Tokyo. BTM, Mitsubishi Trust and NTB are subject to the new regulation. The new rule requires large banks to pay a 3% local tax on their gross operating income derived from their Tokyo operations for a period of five years commencing April 1, 2000. Prior to April 1, 2000, the banking institutions paid a local tax based on their net income. The new 3% tax has been accounted for as non-interest expenses from the year ended March 31, 2001. With respect to effective income tax rate, the new taxation decreased the normal statutory rate by 3.0% to 38.9%.

On May 30, 2000, Osaka Prefectural Assembly also passed a new tax rule that is substantially the same as the rule approved by the Tokyo Metropolitan Assembly. The new rule requires large banks to pay a 3% local tax on their gross operating income derived from Osaka operations for a period of five years commencing April 1, 2001. With respect to effective income tax rate, the new taxation decreased the normal effective statutory rate by 0.9% to 38.0%.

As a result of the changing tax rates mentioned above, income tax expenses increased ¥9,381 million and ¥12,727 million for the years ended March 31, 2000 and 2001, respectively.

The banks subject to the new tax rule, including BTM, Mitsubishi Trust and NTB, filed a complaint in October 2000 with the Tokyo District Court, calling for nullification of the new tax, which they claimed, unfairly targets banks. On March 26, 2002, the Tokyo District Court rejected the new tax enacted by the Tokyo Metropolitan Assembly. The court ordered the Tokyo Metropolitan Government to refund ¥72.4 billion in tax payments to 18 major banks and to pay an additional ¥1.8 billion in compensation.

On March 29, 2002, the Metropolitan Government lodged an appeal at the Tokyo High Court. Following the decision of the Tokyo District Court, 16 major banks filed a lawsuit on April 4, 2002 with the Osaka District Court against the Osaka Prefectual Government, seeking to nullify the new tax rule. In response to the lawsuit, on May 30, 2002, the Osaka Prefectual Government enacted a revised tax rule that changed the taxation for the year ended March 31, 2002 and the fiscal years subject to the new tax rule. Under the revised tax rule, for the year ended March 31, 2002, large banks are supposed to pay the lower of the 3% local tax on their gross operating income or the local tax computed based on net income. As a result of the revisions, BTM and Mitsubishi Trust did not pay any local taxes to the Osaka Prefectual Government for the year ended March 31, 2002. BTM, Mitsubishi Trust and NTB incurred tax expense related to the new local taxes of ¥18.4 billion and ¥18.6 billion of the Tokyo Metropolitan Government for the years ended March 31, 2001 and 2002, respectively. Had BTM, Mitsubishi Trust and NTB paid the local taxes based on net income under the former rule, tax expense would have been ¥6.6 billion for the year ended March 31, 2001, and zero for the fiscal year ended March 31, 2002, respectively. To date, there have not been any decisions made by the Tokyo High Court and the Osaka District Court. As the outcome of these cases is uncertain, no gain has been recorded in MTFG Group's consolidated financial statements.

A reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the combined normal effective statutory tax rate for the years ended March 31, 2000, 2001 and 2002 was as follows:

	2000	2001	2002
Combined normal effective statutory tax rate	41.9%	38.9%	(38.0)%
Increase (decrease) in taxes resulting from:			
Nondeductible expenses	753.5	237.3	2.9
Goodwill amortization	26.2	31.0	0.7
Nontaxable dividends received	234.8	225.8	1.3
Foreign tax credit	(271.4)	(90.4)	(1.9)
Lower tax rates applicable to income of foreign subsidiaries	(255.5)	(93.8)	(2.7)
Foreign income exempted for income tax purpose	23.5	(88.9)	(0.5)
Foreign tax assessment (refund)	(645.8)	30.1	(0.7)
Minority interest	278.5	184.3	2.5
Change in valuation allowance	489.8	284.7	16.8
Expiration of loss carryforwards of subsidiaries	884.8	733.1	0.1
Enacted change in tax rates	357.3	245.4	—
Realization of previously unrecognized tax benefits of subsidiaries	—	—	(11.2)
Other—net	(1.6)	11.3	(0.7)
Effective income tax rate	1,916.0%	1,748.8%	(31.4)%

Deferred tax assets and liabilities are computed for each tax jurisdiction using current enacted tax rates applicable to periods when the temporary differences are expected to reverse. The tax effects of the items comprising the MTFG Group's net deferred tax assets at March 31, 2001 and 2002 were as follows:

	2001	2002
	(in millions)	
Deferred tax assets:		
Allowance for credit losses	¥ 844,129	¥ 930,745
Net operating loss carryforwards	147,339	250,188
Accrued severance indemnities and pension liabilities	85,487	125,702
Other real estate owned	27,806	22,317
Accrued liabilities and other	46,482	53,963
Sale-and-leaseback transactions	36,165	36,338
Foreign currency translation losses on foreign currency debt	17,589	24,693
Depreciation	28,950	20,780
Valuation allowance	(213,128)	(256,579)
Total deferred tax assets	1,020,819	1,208,147
Deferred tax liabilities:		
Investment securities	212,898	180
Deferred profit on property for income tax purposes	15,172	14,865
Equipment and auto leasing	66,557	102,505
Derivative financial instruments	37,360	23,578
Other	2,698	7,666
Total deferred tax liabilities	334,685	148,794
Net deferred tax assets	¥ 686,134	¥1,059,353

At March 31, 2002 certain subsidiaries had operating loss carryforwards of ¥646,443 million, which included ¥170,521 million of BTM and ¥238,635 million of Mitsubishi Trust, and tax credit carryforwards of ¥1,282 million for tax purposes. Such carryforwards, if not utilized, are scheduled to expire as follows:

	Operating Loss Carryforwards	Tax Credit Carryforwards
	(in millions)	
Year ending March 31:		
2003	¥ 24,424	¥ —
2004	51,190	—
2005	79,178	—
2006	143,352	—
2007 and thereafter	320,683	—
No definite expiration date	27,616	1,282
Total	¥646,443	¥1,282

Income taxes are not provided on undistributed earnings of foreign subsidiaries, which are considered to be indefinitely reinvested in the operations of such subsidiaries. At March 31, 2002, such undistributed earnings of foreign subsidiaries amounted to approximately ¥247 billion. Determination of the amount of unrecognized deferred tax liabilities with respect to these undistributed earnings is not practicable because of the complexity associated with its hypothetical calculation including foreign withholding taxes and foreign tax credits. MTFG has neither plans nor the intention of disposing of investments in foreign subsidiaries and, accordingly, does not expect to record capital gains or losses, or otherwise monetize its foreign subsidiaries' undistributed earnings. Rather, MTFG will receive a return on investments in foreign subsidiaries by way of dividends.

Income (loss) before income tax expense or benefit for the years ended March 31, 2000, 2001 and 2002 was as follows:

	2000	2001	2002
		(in millions)	
Domestic income (loss)	¥ 5,241	¥(153,242)	¥(386,432)
Foreign income (loss)	(2,623)	156,831	62,199
Total	¥ 2,618	¥ 3,589	¥(324,233)

9. PLEDGED ASSETS AND COLLATERAL

Pledged Assets

At March 31, 2002 assets mortgaged, pledged, or otherwise subject to lien were as follows:

	(in millions)
Due from banks	¥ 1,145
Trading account securities	1,398,056
Investment securities	3,398,756
Loans	985,368
Other	26,181
Total	¥5,809,506

The above pledged assets are classified by type of liabilities to which they relate as follows:

	(in millions)
Deposits	¥ 177,266
Call money and funds purchased	847,486
Payables under repurchase agreements and securities lending transactions	3,064,291
Other short-term borrowings and long-term debt	1,713,010
Other	7,453
Total	¥5,809,506

In addition, at March 31, 2002, certain investment securities, principally Japanese national government and Japanese government agency bonds, aggregating ¥4,675,786 million were pledged as collateral for acting as a collection agent of public funds, for settlement of exchange at The Bank of Japan and Tokyo Bankers Association, for derivative transactions and for certain other purposes.

Under Japanese law, Japanese banks are required to maintain certain minimum reserves on deposit with The Bank of Japan based on the amount of deposit balances and certain other factors. There are similar reserve deposit requirements for foreign offices engaged in banking businesses in foreign countries. At March 31, 2001 and 2002, the reserve funds maintained by the MTFG Group, which are included in Cash and Due from Banks and Interest-earning Deposits in Other Banks, were ¥605,702 million and ¥650,642 million, respectively. Average reserves during the years ended March 31, 2001 and 2002 were ¥567,424 million and ¥659,602 million, respectively.

Collateral

The MTFG Group accepts and provides financial assets as collateral for transactions, principally commercial loans, repurchase agreements and securities lending transactions, call money, and derivatives. Financial assets eligible for such collateral include, among others, marketable equity securities, trade and note receivables and certificates of deposit.

Secured parties, including creditors and counterparties to certain transactions with the MTFG Group, may sell or repledge financial assets provided as collateral. Certain contracts, however, may not be specific about the secured party's right to sell or repledge collateral under the applicable statutes and, therefore, whether or not the secured party is permitted to sell or repledge a collateral would differ depending on the interpretations of specific provisions of the existing statutes, contract or certain market practices. If the MTFG Group determines, based on available information that a financial asset provided as collateral might not be sold or repledged by the secured parties, such collateral is not separately reported in the consolidated balance sheets. If a secured party is permitted to sell or repledge financial assets provided as collateral by contract or custom under the existing statutes, the MTFG Group reports such pledged financial assets separately on the face of the consolidated balance sheets. At March 31, 2002, the MTFG Group had pledged ¥2,060 billion of collateral that may not be sold or repledged by the secured parties.

Certain banking subsidiaries accept collateral for commercial loans and certain banking transactions under a standardized agreement with customers, which provides that these banking subsidiaries may require the customer to provide collateral or guarantors with respect to the loans and other banking transactions. Financial assets pledged as collateral are generally negotiable and transferable instruments, and such negotiability and transferability is authorized by applicable legislation. In principle, Japanese legislation permits these banking subsidiaries to repledge financial assets accepted as collateral unless otherwise prohibited by contract or relevant statutes. Nevertheless, the MTFG Group did not sell or repledge nor does plan to sell or repledge such collateral accepted in connection with commercial loans before a debtor's default or other credit events specified in the agreements as it is not customary within the banking industry in Japan to dispose of collateral before a debtor's default and other specified credit events. Derivative agreements commonly used in the marketplace do not prohibit a secured party's disposition of financial assets received as collateral, and in resale agreements and securities borrowing transactions, securities accepted as collateral may be sold or repledged by the secured parties. At March 31, 2002, the fair value of the collateral accepted by the MTFG Group that is permitted to be sold or repledged was approximately ¥5,011 billion, of which approximately ¥2,614 billion was sold or repledged. The amount includes the collateral that may be repledged under the current Japanese legislation but the MTFG Group does not dispose of before counterparties' default in accordance with the customary practice within the Japanese banking industry.

10. DEPOSITS

The balances of time deposits, including certificates of deposit ("CDs"), issued in amounts of ¥10 million (approximately US$75 thousand at the Federal Reserve Bank of New York's noon buying rate on March 29, 2002) or more with respect to domestic deposits and issued in amounts of US$100,000 or more with respect to foreign deposits were ¥19,646,210 million and ¥9,779,763 million, respectively, at March 31, 2001, and ¥16,885,029 million and ¥6,783,568 million, respectively, at March 31, 2002.

The maturity information at March 31, 2002 for domestic and foreign time deposits, including CDs, with a remaining term of more than one year is summarized as follows:

	Domestic	Foreign
	(in millions)	
Due after one year through two years	¥3,736,169	¥181,705
Due after two years through three years	2,282,090	30,142
Due after three years through four years	1,252,995	17,342
Due after four years through five years	862,737	13,781
Due after five years	33,805	8,306
Total	¥8,167,796	¥251,276

11. DEBENTURES

In Japan, certain banks, including BTM, issue discount and coupon debentures in the domestic market under applicable banking laws. The Bank of Tokyo, Ltd., which merged with The Mitsubishi Bank, Limited to create BTM, was authorized to issue such debentures and, after the merger in 1996, BTM is permitted to issue discount and coupon debentures in the domestic market through March 2002 under the Law concerning the Merger and Conversion of Financial Institutions of Japan.

Debentures at March 31, 2001 and 2002 comprised the following:

	2001	2002
	(in millions)	
One-year discount debentures, net of amortized discount of ¥1,460 million in 2001 and ¥98 million in 2002—discount at issuance of 0.01% to 0.04% (0.04% to 0.24% in 2001)	¥1,369,907	¥ 824,722
Three-year coupon debentures with interest of 0.02% to 0.80% (0.06% to 1.20% in 2001)	936,531	655,101
Five-year coupon debentures with interest of 0.80% to 2.10% (0.80% to 2.70% in 2001)	1,097,973	789,299
Total	¥3,404,411	¥2,269,122

The following is a summary of maturities of debentures subsequent to March 31, 2002:

	(in millions)
Year ending March 31:	
2003	¥1,600,687
2004	382,782
2005	285,653
Total	¥2,269,122

12. CALL LOANS AND FUNDS SOLD, AND CALL MONEY AND FUNDS PURCHASED

A summary of funds transactions for the years ended March 31, 2000, 2001 and 2002 is as follows:

	2000	2001	2002
		(in millions)	
Average balance during the year:			
Call money and funds purchased	¥1,652,202	¥1,799,133	¥1,968,252
Call loans and funds sold	1,231,727	1,212,028	1,230,103
Net funds purchased position	¥ 420,475	¥ 587,105	¥ 738,149
Call money and funds purchased:			
Outstanding at end of year:			
Amount	¥1,184,573	¥2,358,036	¥2,542,489
Principal range of maturities	1 day to 30 days	1 day to 30 days	1 day to 30 days
Weighted average interest rate	0.84%	0.90%	0.61%
Maximum balance at any month-end during the year	¥2,233,024	¥2,406,836	¥2,542,489
Weighted average interest rate paid during the year	0.97%	1.25%	0.91%

Average balances are generally based on a daily average while a month-end average is used for certain average balances when it is not practicable to obtain applicable daily averages.

13. DUE TO TRUST ACCOUNT

Trust banking subsidiaries hold assets in an agent, fiduciary or trust capacity. Such trust account assets are not the MTFG Group's proprietary assets and are managed and accounted for separately. However, excess cash funds of individual trust accounts are often placed with the trust banking subsidiaries that manage the funds together with their own funds in their proprietary account. Due to trust account reflects a temporary placement of the excess funds from individual trust accounts managed by the trust banking subsidiaries in their fiduciary and trust capacity. In view of the MTFG Group's funding, due to trust account bears a nature similar to short-term funding, including demand deposits and other overnight funds purchased, in a manner that the balance changes in response to the day-to-day changes in the excess funds placed by the trust accounts. A summary of due to trust account transactions for the years ended March 31, 2000, 2001 and 2002 is as follows:

	2000	2001	2002
		(in millions)	
Average balance outstanding during the year	¥4,181,966	¥4,023,941	¥2,940,975
Maximum balance at any month-end during the year	4,397,143	4,488,591	3,533,489
Weighted average interest rate during the year	0.78%	0.69%	0.57%

14. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2001 and 2002, the MTFG Group had unused lines of credit amounting to ¥3,095,092 million and ¥3,492,516 million, respectively. The amounts principally consist of the lines of collateralized intraday overdrafts without interest charges and collateralized overnight loans on bills at the official discount rate granted by the BOJ, which are used to cover shortages in the BOJ account and to meet liquidity needs. The MTFG Group may borrow from the BOJ on demand up to the total amount of collateral eligible for credit extension.

Other short-term borrowings at March 31, 2001 and 2002 comprised the following:

	2001	2002
	(in millions)	
Domestic offices:		
Loans on notes and acceptances transferred with recourse (rediscount)	¥ 836,767	¥1,462,940
Commercial paper	150,000	596,000
Borrowings from financial institution	578,563	587,372
Other	121,091	324,692
Total domestic offices	1,686,421	2,971,004
Foreign offices:		
Commercial paper	298,757	198,367
Other	145,847	149,766
Total foreign offices	444,604	348,133
Total	2,131,025	3,319,137
Less unamortized discount	1,034	503
Other short-term borrowings—net	¥2,129,991	¥3,318,634
Weighted average interest rate on outstanding balance at end of year	1.48%	1.09%

A summary of other short-term borrowing transactions for the years ended March 31, 2000, 2001 and 2002 is as follows:

	2000	2001	2002
		(in millions)	
Average balance outstanding during the year	¥1,839,452	¥1,641,905	¥2,077,604
Maximum balance at any month-end during the year	2,431,224	3,032,747	3,318,634
Weighted average interest rate during the year	2.79%	1.65%	2.22%

Long-term debt (with original maturities of more than one year) at March 31, 2001 and 2002 comprised the following:

	2001	2002
	(in millions)	
BTM:		
Obligations under capital leases	¥ 24,273	¥ 26,122
Obligations under sale-and-leaseback transactions	101,210	101,806
Unsubordinated debt:		
Insurance companies and other institutions, maturing serially through 2022, principally 0.06%-6.37%	295,033	271,402
Fixed rate bonds, payable in Japanese yen, due 2002-2020, principally 0.26%-2.69%	879,400	1,340,000
Adjustable rate bonds, payable in Japanese yen, due 2005, 0.20%	16,360	36,890
Subordinated debt:		
Fixed rate notes, payable in United States dollars, due 2010-2011, 8.40%	245,979	266,311
Fixed rate bonds, payable in Japanese yen, due 2010-2011, principally 1.93%-2.25%	69,700	120,000
Fixed rate borrowings, payable in Japanese yen, due 2002-2012, principally 1.27%-6.20%	395,373	428,555
Adjustable rate bonds, payable in Japanese yen, due 2011, 1.00%	—	32,000
Adjustable rate borrowings, payable in Japanese yen, due 2007-2012, principally 0.10%-6.30%	258,600	157,600
Floating rate borrowings, payable in Japanese yen, due 2002-2010, principally 0.08%-2.30%	75,500	26,000
Total	2,361,428	2,806,686
Mitsubishi Trust:		
Obligations under capital leases	1,096	1,302
Unsubordinated debt:		
Insurance companies and other institutions, due 2002-2007, principally 0.00%-4.75%	48,951	48,205
Subordinated debt:		
Fixed rate borrowings, payable in Japanese yen, due 2004-2012, principally 2.00-4.92%	35,000	50,000
Adjustable rate borrowings, payable in Japanese yen, due 2006-2012, principally 0.65%-3.25%	33,000	44,000
Floating rate borrowings, payable in Japanese yen, due 2002-2003, principally 2.30%-3.70%	65,000	65,000

	2001	2002
	(in millions)	
Perpetual bonds, payable in Japanese yen, principally 1.15%-2.25%	¥ 29,700	¥ 42,200
Fixed rate bonds, payable in Japanese yen, due 2010, 2.70%	27,300	30,000
Adjustable rate bonds, payable in Japanese yen, due 2010-016, principally 0.80%-2.45%	42,500	91,300
Total	282,547	372,007
Other subsidiaries:		
Unsubordinated debt:		
Insurance companies and other institutions, due 2002-2008, principally 0.38%-7.71%	¥108,095	¥119,733
3% Exchangeable Guaranteed Notes due 2002, payable in United States dollars (see Note 15)	247,723	266,417
Fixed rate bonds and notes, payable in United States dollars, due 2004-2013, principally 5.45%-7.00%	22,028	40,259
Fixed rate bonds and notes, payable in Japanese yen, due 2002-2017, principally 0.01%-7.20%	237,698	178,982
Adjustable rate bonds and notes, payable in United States dollars, due 2003, principally 3.03%-7.26%	37,498	16,942
Adjustable rate bonds and notes, payable in Japanese yen, due 2007-2013, principally 0.00%-6.06%	73,197	57,690
Floating rate bonds and notes, payable in United States dollars, due 2003-2021, principally 0.73%-6.75%	64,930	9,264
Floating rate bonds and notes, payable in Japanese yen, due 2002-2010, principally 0.00%-5.61%	72,911	59,148
Floating rate notes, payable in Euro, due 2001, 5.25%	29,129	—
Obligations under capital leases and other miscellaneous debt	15,890	14,782
Total unsubordinated debt	909,099	763,217
Subordinated debt:		
Insurance companies and other institutions, due 2010, principally 3.21%-3.39%	21,568	1,553
Undated notes, payable primarily in Japanese yen, principally 0.39%-4.90%	60,000	60,000
Perpetual bonds, payable in Japanese yen, principally 1.51%-3.15%	20,300	20,300
Fixed rate bonds and notes, payable in United States dollars, due 2007, principally 6.20%-7.75%	36,532	26,995
Fixed rate bonds and notes, payable in Japanese yen, due 2003-2028, principally 0.40%-5.10%	128,403	101,795
Adjustable rate undated notes, payable in United States dollars, principally 2.40%-3.55%	66,555	76,531
Adjustable rate undated notes, payable in Japanese yen, principally 0.58%-3.16%	359,764	359,490
Adjustable rate bonds and notes, payable in United States dollars, due 2007-2009, principally 2.19%-7.50%	103,104	114,129
Adjustable rate bonds and notes, payable in Japanese yen, due 2002-2014, principally 0.14%-6.63%	472,886	368,858

	2001	2002
	(in millions)	
Floating rate bonds and notes, payable in United States dollars, due 2003, 5.12%	¥ 19,971	¥ 2,645
Floating rate bonds and notes, payable in Japanese yen, due 2002-2027, principally 0.00%-5.19%	78,850	58,915
Other miscellaneous debt	2,285	2,700
Total subordinated debt	1,370,218	1,193,911
Mandatorily redeemable preferred securities of subsidiary grantor trust (see Note 23)	40,163	48,020
Total	2,319,480	2,005,148
Total	¥4,963,455	¥5,183,841

Note: Adjustable rate debts are debts where interest rates are reset in accordance with the terms of the debt agreements, and floating rate debts are debts where interest rates are repriced in accordance with movements of market indices.

Certain unsubordinated bonds and notes (aggregating ¥1,148,788 million at March 31, 2002) issued by subsidiaries, including the above exchangeable notes, are guaranteed, on a subordinated basis, by MTFG, BTM, Mitsubishi Trust or a subsidiary as to payment of principal and interest.

BTM, Mitsubishi Trust and certain of other subsidiaries entered into interest rate and currency swaps for certain debt in order to manage exposure to interest rate and currency exchange rate movements. As a result of these swap arrangements, the effective interest rates may differ from the coupon rates reflected in the above table. The interest rates for the adjustable and floating rate debt shown in the above table are those in effect at March 31, 2001 and 2002. Certain rates are determined by formulas and may be subject to certain minimum and maximum rates. Floating and adjustable debt agreements may provide for interest rate floors to prevent negative interest payments (i.e., receipts).

Certain debt agreements permit BTM, Mitsubishi Trust and some of other subsidiaries to redeem the related debt, as a whole or in part, prior to maturity at the option of the issuer on terms specified in the respective agreements.

The following is a summary of maturities of long-term debt subsequent to March 31, 2002:

	BTM	Mitsubishi Trust	Other Subsidiaries	Total
	(in millions)			
Year ending March 31:				
2003	¥ 168,885	¥ 11,985	¥ 367,656	¥ 548,526
2004	268,618	56,452	161,826	486,896
2005	510,496	22,248	90,921	623,665
2006	389,339	30,716	52,719	472,774
2007	369,773	23,106	113,137	506,016
2008 and thereafter	1,099,575	227,500	1,218,889	2,545,964
Total	¥2,806,686	¥372,007	¥2,005,148	¥5,183,841

15. SUBSIDIARY FINANCIAL INFORMATION

MBL International Finance (Bermuda) Trust (the "Bermuda Trust"), a wholly-owned finance subsidiary of BTM, issued 3% Exchangeable Guaranteed Notes due 2002 (the "Exchangeable Notes"). MTFG and BTM irrevocably and unconditionally guarantee all of the obligations of the Bermuda Trust. The Exchangeable Notes are exchangeable for shares or American Depositary Shares ("ADSs") of MTFG through November 30, 2002 at an exchange price of US$13.62 per ADS or share as of March 31, 2001. The exchange price was reset annually through 2001 to the lesser of the prevailing average ADS price, as defined, or the exchange price prior to such reset, but not less than US$13.62. The Exchangeable Notes were redeemable at the option of the issuer or MTFG in shares or ADSs on November 30 in any year beginning in 1998 through 2001 at an exchange price of US$13.62.

In accordance with the rules of the Securities and Exchange Commission of the United States of America regarding the parent company guarantees of subsidiary securities, the following table sets forth the condensed consolidating financial information of MTFG, BTM, the Bermuda Trust and non-guarantor subsidiaries.

Condensed Consolidating Balance Sheets

	MTFG	BTM	Bermuda Trust	Non-guarantor Subsidiaries	Consolidating Adjustments	Total
				(in billions)		
At March 31, 2001:						
Cash, due from banks, interest-earning deposits in other banks, Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	¥ —	¥ 9,116	—	¥ 6,320	¥(2,496)	¥12,940
Investment securities	—	15,378	250	6,974	(396)	22,206
Loans, net of allowance for credit losses	—	34,193	—	15,698	(1,937)	47,954
Other assets	3,201	6,318	2	4,957	(4,089)	10,389
Total assets	¥3,201	¥65,005	¥252	¥33,949	¥(8,918)	¥93,489
Deposits	¥ —	¥45,573	¥ —	¥15,745	¥(1,212)	¥60,106
Call money and funds purchased, and payables under resale agreements and securities lending transactions	—	5,402	—	4,394	(1,069)	8,727
Debentures, other short-term borrowings, and due to trust account	—	4,352	—	5,371	(516)	9,207
Long-term debt	—	3,664	248	2,819	(1,768)	4,963
Other liabilities	—	3,604	2	3,811	(132)	7,285
Total liabilities	—	62,595	250	32,140	(4,697)	90,288
Total shareholders' equity	3,201	2,410	2	1,809	(4,221)	3,201
Total liabilities and shareholders' equity	¥3,201	¥65,005	¥252	¥33,949	¥(8,918)	¥93,489
At March 31, 2002:						
Cash, due from banks, interest-earning deposits in other banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	¥ 39	¥ 8,040	¥ —	¥ 5,612	¥(2,824)	¥10,867
Investment securities	266	16,064	267	7,689	(602)	23,684
Loans, net of allowance for credit losses	—	35,080	—	15,157	(1,742)	48,495
Other assets	2,594	8,898	2	4,486	(4,661)	11,319
Total assets	¥2,899	¥68,082	¥269	¥32,944	¥(9,829)	¥94,365
Deposits	¥ —	¥47,756	¥ —	¥17,313	¥(1,409)	¥63,660
Call money and funds purchased, and payables under resale agreements and securities lending transactions	—	6,882	—	3,736	(1,375)	9,243
Debentures, other short-term borrowings, and due to trust account	—	3,580	—	4,752	(462)	7,870
Long-term debt	266	3,994	266	2,524	(1,866)	5,184
Other liabilities	7	3,963	3	2,860	(1,051)	5,782
Total liabilities	273	66,175	269	31,185	(6,163)	91,739
Total shareholders' equity	2,626	1,907	—	1,759	(3,666)	2,626
Total liabilities and shareholders' equity	¥2,899	¥68,082	¥269	¥32,944	¥(9,829)	¥94,365

Condensed Consolidating Statements of Operations

	MTFG	BTM	Bermuda Trust	Non-guarantor Subsidiaries	Consolidating Adjustments	Total
				(in billions)		
For the year ended March 31, 2000:						
Interest income	¥ —	¥1,354	¥ 7	¥ 978	¥(173)	¥2,166
Interest expense	—	703	7	541	(165)	1,086
Net interest income	—	651	—	437	(8)	1,080
Provision for credit losses	—	248	—	117	8	373
Net interest income after provision for credit losses	—	403	—	320	(16)	707
Non-interest income	—	397	—	210	(87)	520
Non-interest expense	—	739	—	664	(179)	1,224
Equity interest in earnings	(48)	20	—	—	28	—
Income (loss) before income tax expense or benefit	(48)	81	—	(134)	104	3
Income tax expense (benefit)	—	46	—	37	(32)	51
Net income (loss)	¥ (48)	¥ 35	¥—	¥ (171)	¥ 136	¥ (48)
For the year ended March 31, 2001:						
Interest income	¥ —	¥1,399	¥ 7	¥1,052	¥(175)	¥2,283
Interest expense	—	827	7	647	(170)	1,311
Net interest income	—	572	—	405	(5)	972
Provision for credit losses	—	552	—	245	—	797
Net interest income after provision for credit losses	—	20	—	160	(5)	175
Non-interest income	—	432	—	638	(114)	956
Non-interest expense	—	577	—	645	(97)	1,125
Equity interest in earnings	(59)	(22)	—	—	79	(2)
Income (loss) before income tax expense or benefit	(59)	(147)	—	153	57	4
Income tax expense (benefit)	—	(39)	—	103	(1)	63
Net income (loss)	¥ (59)	¥ (108)	¥—	¥ 50	¥ 58	¥ (59)
For the year ended March 31, 2002:						
Interest income	¥ 75	¥1,167	¥ 8	¥ 961	¥(194)	¥2,017
Interest expense	7	540	8	508	(124)	939
Net interest income	68	627	—	453	(70)	1,078
Provision for credit losses	—	377	—	220	5	602
Net interest income after provision for credit losses	68	250	—	233	(75)	476
Non-interest income	5	314	—	525	(143)	701
Non-interest expense	5	826	—	760	(98)	1,493
Equity interest in earnings	(285)	28	—	(1)	249	(9)
Income (loss) before income tax expense or benefit	(217)	(234)	—	(3)	129	(325)
Income tax expense (benefit)	—	(95)	—	19	(26)	(102)
Cumulative effect of a change in accounting principle, net of tax	—	(6)	—	1	(1)	(6)
Net income (loss)	¥(217)	¥ (133)	¥—	¥ (23)	¥ 156	¥ (217)

Condensed Consolidating Statements of Cash Flows

	MTFG	BTM	Bermuda Trust	Non-guarantor Subsidiaries	Consolidating Adjustments	Total
				(in billions)		
For the year ended March 31, 2000:						
Net cash from operating activities	¥ —	¥ 457	¥ —	¥ 156	¥(322)	¥ 291
Net cash from investing activities	—	(235)	—	(454)	467	(222)
Net cash from financing activities	—	(254)	—	498	(159)	85
Effect of exchange rate changes on cash and cash equivalents	—	(12)	—	(81)	46	(47)
Net increase (decrease) in cash and cash equivalents	¥ —	¥ (44)	¥ —	¥ 119	¥ 32	¥ 107
For the year ended March 31, 2001:						
Net cash from operating activities	¥ —	¥ (548)	¥ —	¥ (527)	¥ 151	¥ (924)
Net cash from investing activities	—	(3,378)	—	(2,282)	(261)	(5,921)
Net cash from financing activities	—	3,536	—	2,700	200	6,436
Effect of exchange rate changes on cash and cash equivalents	—	8	—	73	(55)	26
Net increase (decrease) in cash and cash equivalents	¥ —	¥ (382)	¥ —	¥ (36)	¥ 35	¥ (383)
For the year ended March 31, 2002:						
Net cash from operating activities	¥ 67	¥ (895)	¥ —	¥ 25	¥(120)	¥ (923)
Net cash from investing activities	(66)	(1,701)	—	1,153	67	(547)
Net cash from financing activities	—	2,542	—	(1,094)	60	1,508
Effect of exchange rate changes on cash and cash equivalents	—	9	—	58	(3)	64
Net increase (decrease) in cash and cash equivalents	¥ 1	¥ (45)	¥ —	¥ 142	¥ 4	¥ 102

16. SEVERANCE INDEMNITIES AND PENSION PLANS

All employees of MTFG are loaned from BTM and Mitsubishi Trust. The employees are subject to severance indemnities and pension plans of each of these subsidiaries described below, and included in the calculation of pension costs and liabilities of BTM and Mitsubishi Trust.

Domestic Subsidiaries

BTM, Mitsubishi Trust, and certain other domestic subsidiaries have severance indemnities plans under which their employees in Japan, other than those who are directors, are entitled, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, to lump-sum severance indemnities. Under the severance indemnities plans, benefit payments in the form of lump-sum cash payment without allowing a benefit payee an option to receive annuity payments, upon mandatory retirement at normal retirement age or earlier termination of employment, are provided. When a benefit is paid in a single payment to a benefit payee under the plans, the payment represents final relief of the obligation.

BTM, Mitsubishi Trust, and certain other domestic subsidiaries also have funded contributory defined benefit pension plans (private plans) which cover substantially all of their employees in Japan and provide for lifetime annuity payments commencing at age 65 based on eligible compensation at the time of severance, years of service and other factors. These domestic subsidiaries participate in a contributory defined benefit Japanese government welfare pension program for their employees under which they have the administrative and trustee responsibility, through employer/employee owned special judicial foundations, for premiums collected and invested and payment of benefits. This government program is combined with the private pension plans through the special judicial foundations. Pension benefits and plan assets applicable to the government program are included with the contributory pension plans of these domestic subsidiaries in the determination of net periodic costs and funded status.

BTM and Mitsubishi Trust also have funded non-contributory defined benefit pension plans, providing benefits to certain retired employees, excluding directors, in Japan, based on eligible compensation at the time of severance, years of service and other factors. BTM's plan covers retired employees whose service period with BTM was 5 years or more, and provides for lifetime or certain limited period annuity payments commencing at age 60. Mitsubishi Trust's plan covers retired employees whose service period with Mitsubishi Trust was 20 years or more, and provides for a 10-year period annuity payment commencing at the month following the retirement or, at the option of each eligible employee, at age 60.

Net periodic cost of the severance indemnities and pension plans, net of contributions made by employees, for the years ended March 31, 2000, 2001 and 2002 included the following components:

	2000	2001	2002
		(in millions)	
Service cost—benefits earned during the year	¥ 27,031	¥ 22,108	¥ 22,741
Interest costs on projected benefit obligation	26,814	25,291	25,166
Expected return on plan assets	(18,558)	(27,271)	(24,403)
Amortization of unrecognized net obligation at transition	4,212	4,272	4,199
Amortization of prior service cost	4,088	3,521	3,405
Amortization of net actuarial loss	6,826	2,058	10,998
Loss on settlements	—	4,295	5,240
Net periodic benefit cost	¥ 50,413	¥ 34,274	¥ 47,346
Weighted-average assumptions used:			
Discount rates in determining expense	3.30%	3.10%	2.88%
Discount rates in determining benefit obligation	3.10	2.88	2.47
Rates of increase in future compensation level for determining expense	3.45	2.88	3.12
Rates of increase in future compensation level for determining benefit obligation	2.88	3.12	3.09
Expected rates of return on plan assets	4.01	4.79	4.45

The following table sets forth the combined funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2001 and 2002 for the plans of BTM, Mitsubishi Trust and certain other domestic subsidiaries. BTM and some of its domestic subsidiaries have measured plan assets and benefit obligations at December 31 each year for the purpose of financial statements whereas Mitsubishi Trust has used March 31 each year for the measurement date. Accordingly, funded status and amounts recognized in the table below shows the combined amounts of those presented in the consolidated financial statements of these subsidiaries.

	2001			2002		
	Severance indemnities plans and non-contributory pension plans	Contributory pension plans	Total	Severance indemnities plans and non-contributory pension plans	Contributory pension plans	Total
	(in millions)					
Change in benefit obligation:						
Benefit obligation at beginning of year	¥ 136,817	¥ 684,714	¥ 821,531	¥140,487	¥ 748,468	¥ 888,955
Service cost	6,568	15,540	22,108	6,362	16,379	22,741
Interest cost	4,195	21,096	25,291	3,953	21,213	25,166
Plan participants' contributions	—	3,001	3,001	—	2,974	2,974
Amendments	—	(4,319)	(4,319)	—	(3,431)	(3,431)
Actuarial loss	7,956	46,620	54,576	7,677	69,546	77,223
Benefits paid	(1,292)	(18,184)	(19,476)	(2,607)	(19,207)	(21,814)
Lump-sum payment	(13,757)	—	(13,757)	(12,807)	—	(12,807)
Benefit obligation at end of year	140,487	748,468	888,955	143,065	835,942	979,007
Change in plan assets:						
Fair value of plan assets at beginning of year	20,190	532,324	552,514	20,250	515,772	536,022
Actual return (negative return) on plan assets	(200)	(52,866)	(53,066)	(11,138)	(37,610)	(48,748)
Employer contributions	1,559	51,497	53,056	71,606	118,582	190,188
Plan participants' contributions	—	3,001	3,001	—	2,974	2,974
Benefits paid	(1,299)	(18,184)	(19,483)	(2,116)	(19,207)	(21,323)
Fair value of plan assets at end of year	20,250	515,772	536,022	78,602	580,511	659,113
Projected benefit obligation in excess of plan assets at end of year	(120,237)	(232,696)	(352,933)	(64,463)	(255,431)	(319,894)
Contributions to or benefits paid from plan assets during the three month periods ended March 31, 2001 and 2002	2,313	10,094	12,407	2,698	10,716	13,414
Unrecognized net actuarial loss	39,461	166,660	206,121	50,882	289,644	340,526
Unrecognized prior service cost	1,833	26,390	28,223	1,621	19,766	21,387
Unrecognized net (asset) obligation at transition	(1,750)	21,478	19,728	(1,538)	16,796	15,258
Net amount recognized	¥ (78,380)	¥ (8,074)	¥ (86,454)	¥ (10,800)	¥ 81,491	¥ 70,691
Amounts recognized in the balance sheets:						
Prepaid pension cost	¥ 200	¥ —	¥ 200	¥ 301	¥ —	¥ 301
Accrued benefit liability	(105,253)	(187,520)	(292,773)	(45,595)	(203,819)	(249,414)
Intangible assets	2,288	49,136	51,424	1,927	40,586	42,513
Accumulated other changes in equity from nonowner sources	24,385	130,310	154,695	32,567	244,724	277,291
Net amount recognized	¥ (78,380)	¥ (8,074)	¥ (86,454)	¥ (10,800)	¥ 81,491	¥ 70,691

Note: The aggregated accumulated benefit obligations of these plans were ¥839,339 million and ¥921,527 million, respectively, in the years ended March 31, 2001 and 2002. The severance indemnities plans generally employ a multi-variable, non-linear formula based upon compensation at the time of severance, rank and years of service. Employees with service in excess of one year are qualified to receive lump-sum severance indemnities.

Plan assets, which include pension trust funds managed by certain life insurance companies, investment advisory companies and trust banks, consisted of interest-earning deposits at banks, Japanese government bonds, other debt securities and marketable equity securities issued by domestic and foreign entities. Pension assets managed by insurance companies are included in pooled investment portfolios.

In accordance with the provisions of SFAS No. 87, the MTFG Group has recorded an additional minimum liability representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liabilities previously recorded. A corresponding amount is recognized as an intangible asset to the extent of unrecognized net obligation at transition and prior service costs, with the balance recorded as a separate reduction of shareholders' equity, net of income taxes.

In accordance with BTM's, Mitsubishi Trust's and certain domestic subsidiaries' employment practices, certain early-terminated employees are entitled to special lump-sum termination benefits. The amounts charged to operations for such early termination benefits for the years ended March 31, 2000, 2001 and 2002 were ¥10,287 million, ¥10,386 million and ¥9,914 million, respectively.

In the year ended March 31, 2001, Mitsubishi Trust first compiled and published its financial statements in accordance with US GAAP. In the course of the compilation, Mitsubishi Trust management concluded that it is not feasible to obtain the actuarial information necessary to implement SFAS No. 87 as of the effective date specified in the standard, which was the fiscal year ended March 31, 1990 for Mitsubishi Trust. Accordingly, Mitsubishi Trust assumed that it adopted SFAS No. 87 as of April 1, 1995 for the purpose of the consolidated financial statements. The net obligation at transition was ¥33,577 million and the estimated remaining service period is 17.5 years at the date of adoption. Six years have passed between the effective date and the assumed adoption date. Mitsubishi Trust recorded ¥11,512 million of the net transition obligation directly to equity and is amortizing the remaining portion of the obligation over the 11.5 years.

In accordance with an amendment to the relevant welfare pension legislation in the year ended March 31, 2002, BTM and Mitsubishi Trust amended their contributory defined benefit pension plans to change the age of commencement of lifetime annuity payments from 60 to 65. The effect of the negative amendment was a decrease in ¥13,544 million of the projected benefit obligation, of which ¥10,113 million was associated with BTM's plan amendment and was not reflected in the consolidated financial statements for the year ended March 31, 2002 as BTM amended its plan in January 2002 after BTM's measurement date of December 31, 2001.

During the year ended March 31, 2002, BTM and Mitsubishi Trust entered into pension trust agreements with a local trust bank and contributed marketable equity securities at fair value of ¥133,158 million to the trusts designated to pay benefits for their severance indemnities plans and contributory pension plans. The transactions were accounted for as sales with an aggregate gain of ¥26,225 million recognized for the year then ended.

After the merger between Mitsubishi Trust, NTB and Tokyo Trust, the pension plans of NTB and Tokyo Trust were merged and integrated into Mitsubishi Trust' plans. NTB's and Tokyo Trust's plans have been separately administered and managed under the Mitsubishi Trust's plans and continue to provide the same level of benefits to the eligible employees of NTB and Tokyo Trust without amendment.

Foreign Offices and Subsidiaries

Foreign offices and subsidiaries also have defined contribution plans and/or defined benefit plans, which in the aggregate are not considered significant. The cost of such plans charged to operations for the years ended March 31, 2000, 2001 and 2002 were ¥7,205 million, ¥5,688 million and ¥5,682 million, respectively, including ¥2,617 million, ¥2,678 million and ¥2,584 million, respectively, for defined contribution plans.

Foreign offices and subsidiaries have post employment and/or postretirement plans for eligible employees and retirees. The costs charged to operations for the years ended March 31, 2000, 2001 and 2002 were ¥1,420 million, ¥1,136 million and ¥1,373 million, respectively.

Certain of the MTFG's subsidiaries in the United States of America maintain employees' retirement plans, which are qualified retirement plans covering substantially all of the employees of such subsidiaries. The plans are non-contributory defined benefit plans, which provide benefit upon retirement based on years of service and average compensation. The plans are funded on a current basis in compliance with the requirement of the Employee Retirement Income Security Act of the United States of America. These subsidiaries also provide certain post employment benefits and postretirement benefits other than pensions for employees. Plan assets are generally invested in U.S. government securities, corporate bonds and mutual funds.

Net periodic cost of the employees' retirement and other benefit plans of certain subsidiaries in the United States of America for the years ended March 31, 2000, 2001 and 2002 included the following components:

	2000	2001	2002
		(in millions)	
Service cost—benefits during the year	¥ 3,533	¥ 3,016	¥ 3,521
Interest costs on projected benefit obligation	4,587	5,163	6,317
Expected return on plan assets	(4,867)	(5,980)	(7,462)
Amortization of unrecognized net obligation at transition	479	403	233
Amortization of unrecognized prior service cost	79	(26)	(30)
Recognized actuarial loss	235	28	378
Net periodic benefit cost	4,046	2,604	2,957
Loss on curtailment	699	661	—
Loss (gain) on Settlement	132	(31)	—
Net cost after curtailment and settlement	¥ 4,877	¥ 3,234	¥ 2,957

	1999	2000	2001
Weighted-average assumptions at December 31:			
Discount rates in determining expense	6.52%	7.71%	7.53%
Discount rates in determining benefit obligation at year end	7.71	7.53	7.30
Rates of increase in future compensation level for determining expense	5.00	5.00	5.00
Rates of increase in future compensation level for determining benefit obligation at year end	5.00	5.00	4.89
Expected rates of return on plan assets	8.30	8.35	8.30

The following table sets forth the funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2001 and 2002 for the employees' retirement and other benefit plans of certain subsidiaries in the United States of America:

	2000	2001
	(in millions)	
Change in benefit obligation:		
Benefit obligation at January 1, 2000 and 2001	¥59,649	¥ 80,144
Service cost	3,016	3,521
Interest cost	5,163	6,317
Plan participants' contributions	123	168
Amendments	(166)	—
Actuarial loss	7,405	8,422
Settlements	(9)	—
Benefits paid	(3,034)	(3,912)
Translation adjustments	7,997	13,256
Benefit obligation at December 31, 2000 and 2001	80,144	107,916
Change in plan assets:		
Fair value of plan assets at January 1, 2000 and 2001	70,047	80,577
Actual return (negative return) on plan assets	1,408	(3,749)
Employer contribution	3,379	9,427
Plan participants' contributions	123	168
Benefits paid	(2,955)	(3,882)
Translation adjustments	8,575	12,246
Fair value of plan assets at December 31, 2000 and 2001	80,577	94,787
Fair value of plan assets (projected benefit obligation) in excess of projected benefit obligation (fair value of plan assets) at December 31, 2000 and 2001	433	(13,129)
Unrecognized net actuarial loss (gain)	(2,946)	17,486
Unrecognized prior service cost	25	62
Unrecognized net obligation at transition	4,718	5,443
Net amount recognized	¥ 2,230	¥ 9,862
Amounts recognized in the balance sheets:		
Prepaid pension cost	¥ 5,432	¥ 13,211
Accrued benefit liability	(3,325)	(2,887)
Intangible assets	31	26
Accumulated other changes in equity from nonowner sources	92	(488)
Net amount recognized	¥ 2,230	¥ 9,862

17. OTHER ASSETS AND LIABILITIES

Major components of other assets and liabilities at March 31, 2001 and 2002 were as follows:

	2001	2002
	(in millions)	
Other assets:		
Accounts receivable:		
Receivables from brokers, dealers and customers for securities transactions	¥ 584,518	¥ 499,588
Other	107,845	332,403
Deferred income tax assets	728,319	1,120,831
Deferred charges	169,774	186,732
Investments in affiliated companies	119,451	95,421
Other real estate owned	33,892	11,724
Consolidation goodwill	5,888	41,386
Other	445,900	600,822
Total	¥2,195,587	¥2,888,907
Other liabilities:		
Accounts payable:		
Payables to brokers, dealers and customers for securities transactions	¥1,296,509	¥1,255,434
Other	387,733	407,185
Deferred income tax liabilities	42,185	61,478
Allowance for off-balance-sheet credit instruments	56,302	102,629
Accrued pension liability	298,756	254,955
Minority interest	173,388	210,503
Accrued and other liabilities	227,752	430,154
Total	¥2,482,625	¥2,722,338

At March 31, 2001 and 2002, the valuation allowance to write down the carrying amounts of other real estate owned to their estimated fair value less estimated cost to sell was ¥37,656 million and ¥11,195 million, respectively. The valuation allowance decreased by ¥69,201 million, ¥56,190 million and ¥26,461 million, respectively, during the years ended March 31, 2000, 2001 and 2002.

Investments in affiliated companies, which are accounted for using the equity method, include marketable equity securities carried at ¥96,501 million and ¥68,341 million, respectively, at March 31, 2001 and 2002. Corresponding aggregated market values were ¥101,716 million and ¥71,680 million, respectively.

At March 31, 2001 and 2002, capitalized costs of software for internal uses are ¥98,475 million and ¥126,441 million, which are included in “Other.” Related amortization expenses are ¥31,734 million and ¥36,932 million respectively, for the years ended March 31, 2001 and 2002.

18. PREFERRED STOCK

MTFG is authorized to issue 81,400 shares of Class 1 Preferred Stock, 100,000 shares of Class 2 Preferred Stock, 120,000 shares of Class 3 Preferred Stock and 120,000 shares of Class 4, without par value.

All classes of preferred stock are non-voting and have equal preference over MTFG’s common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of MTFG. They are all non-cumulative and non-participating for dividend payments. Shareholders of Class 1, Class 2, Class 3 and Class 4 Preferred Stock receive a liquidation distribution at ¥3,000 thousand, ¥2,000 thousand, ¥2,500 thousand and ¥2,500 thousand per share, respectively, and do not have the right to participate in any further liquidation distributions.

Class 1 Preferred Stock

Class 1 Preferred Stock is redeemable at the option of MTFG. At the time of issuance, the Board of Directors determines an issue price, while an annual dividend (not to exceed ¥82,500 per share) and redemption terms, including a redemption price, are stipulated by the articles of incorporation.

On January 21, 1999, BTM issued 81,400 thousand shares of Class 1 preferred stock at ¥3,000 per share (¥244,200 million in the aggregate). On April 2, 2001, MTFG issued 81,400 shares of Class 1 Preferred Stock in exchange for Class 1 preferred stock of BTM at an exchange ratio of one share of MTFG's Class 1 Preferred Stock for each 1,000 shares of BTM Class 1 preferred stock.

MTFG may redeem shares of Class 1 Preferred Stock at ¥3,000 thousand per share, in whole or in part, on or after January 21, 2004.

Class 2 Preferred Stock

Class 2 Preferred Stock is convertible into common stock at the option of the shareholders during a conversion period. The conversion is mandatorily required on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, while an annual dividend (not to exceed ¥16,200 per share) and conversion terms, including a conversion period, are stipulated by the articles of incorporation.

On March 31, 1999, Mitsubishi Trust issued 100,000 thousand shares of Class 1 preferred stock at ¥2,000 per share (¥200,000 million in the aggregate). On April 2, 2001, MTFG issued 100,000 shares of Class 2 Preferred Stock in exchange for Class 1 preferred stock of Mitsubishi Trust on exchange ratio of one share of MTFG's Class 2 Preferred Stock for each 1,000 shares of Mitsubishi Trust Class 1 preferred stock.

At the option of the shareholders, Class 2 Preferred Stock is convertible into common stock during the period from July 31, 2003 to July 31, 2008 at the conversion price of ¥1,391,428 per share. The conversion price will be revised annually on August 1 of each year from 2003 through 2007 to reflect, with certain adjustments, as defined, the average market closing price of the common stock traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of revision of the conversion price. The conversion price will not exceed the initial conversion price of ¥1,391,428 nor be below ¥714,285 unless certain events or circumstance, as defined, arise after the issuance of the Class 2 Preferred Stock shares.

Class 2 Preferred Stock shares which are not converted at the option of the shareholders will be mandatorily converted into common stock on August 1, 2008, at the conversion price determined based on the average market closing price of the common stock traded on the Tokyo Stock Exchange for the 30 business days starting from the 45th business day prior to the date of mandatory conversion. In the event the average market closing price is below ¥714,285, the conversion price will be ¥714,285.

Class 3 Preferred Stock

Class 3 Preferred Stock is redeemable at the option of MTFG. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed ¥250,000 per share), and redemption terms, including a redemption price. No shares of the Class 3 Preferred Stock are issued and outstanding at March 31, 2001 and 2002.

Class 4 Preferred Stock

Class 4 Preferred Stock is convertible into common stock at the option of preferred stock shareholders during a conversion period. The conversion is mandatorily required on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors determines an issue price, an annual dividend (not to exceed ¥125,000 per share), and conversion terms, including a conversion period. No shares of the Class 4 Preferred Stock are issued and outstanding at March 31, 2001 and 2002.

MTFG may, at any time, purchase and retire, at fair value, of Classes 1 through 4 Preferred Stock out of earnings available for distribution to the shareholders.

19. COMMON STOCK AND CAPITAL SURPLUS

The changes in the number of issued shares of common stock during the years ended March 31, 2000, 2001 and 2002 were as follows:

	2000	2001	2002
		(shares)	
Balance at beginning of year	5,587,068	5,587,068	5,587,068
Issued in exchange for the shares of NTB	—	—	155,400
Balance at end of year	5,587,068	5,587,068	5,742,468

Under the Code, issuances of common stock, including conversions of bonds and notes, are required to be credited to the common stock account for at least 50% of the proceeds and to the legal capital surplus account ("legal capital surplus") for the remaining amounts.

At March 31, 2002, 146,797 shares were reserved for the conversion of outstanding bonds and notes discussed in Note 14.

The Code permits Japanese companies, upon approval by the Board of Directors, to issue shares in the form of a "stock split," as defined in the Code (see Note 1). Also, the Code prior to April 1, 1991 permitted Japanese companies to issue free share distributions. BTM and Mitsubishi Trust from time to time made free share distributions. These free distributions usually were from 5% to 10% of outstanding common stock and publicly-owned corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing the appropriate capital accounts by an amount equal to the fair value of the shares issued. The application of such United States accounting practice to the cumulative free distributions made by BTM and Mitsubishi Trust at March 31, 2002, would have increased capital accounts by ¥1,910,106 million with a corresponding decrease in unappropriated retained earnings.

The Code permits, upon approval of the Board of Directors, the transfer of amounts from the legal capital surplus to the capital stock account.

The Code, as amended effective on October 1, 2001 (the "Code Amendments") permits Japanese companies to effect purchases of their own shares pursuant to a resolution by the shareholders at an annual general meeting until the conclusion of the following ordinary general meeting of shareholders, and to hold such shares as its treasury shares indefinitely regardless of any purpose. However, the Code requires the amount of treasury stock purchased be within the amount of retained earnings available for dividends. Disposition of treasury stock is subject to the approval of the Board of Directors and is to follow the procedures similar to the public offering of shares for subscription. Prior to the amendment, in principle, reacquisition of treasury shares was prohibited with the exception of reacquisition for retirement and certain limited purposes, as specified by the Code. Any treasury shares were required to be disposed of shortly.

20. RETAINED EARNINGS, LEGAL RESERVE AND DIVIDENDS

In addition to the Code, Japanese banks, including BTM and Mitsubishi Trust, are required to comply with the Banking Law of Japan (the "Banking Law").

Legal Reserve Set Aside as Appropriation of Retained Earnings and Legal Capital Surplus

Under the Code

Effective October 1, 2001, the Code Amendments provide that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 25% of common stock.

Prior to the Code Amendments, the Code provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of common stock. The retained earnings so appropriated may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to capital stock by resolution of the Board of Directors.

Under the Banking Law

In line with the Code Amendments, on June 29, 2001, amendments to the Banking Law (the "Banking Law Amendments") were promulgated and became effective on October 1, 2001. The Banking Law Amendments provide that an amount at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until the aggregate amount of legal reserve set aside as appropriation of retained earnings and the legal capital surplus equals 100% of common stock.

Prior to the Banking Law Amendments, the Banking Law provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of common stock. The retained earnings so appropriated may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to capital stock by resolution of the Board of Directors.

Unappropriated Retained Earnings and Dividends

Under the Code, the amount of retained earnings available for dividends is based on the amount recorded in the MTFG's general books of account maintained in accordance with accepted Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements but not recorded in MTFG's general books of account as explained in Note 1 have no effect on the determination of retained earnings available for dividends under the Code. In addition to the provision that requires an appropriation for legal reserve as described above, the Code and the Banking Law impose certain limitations on the amount of retained earnings available for dividends. Under the Banking Law, MTFG, BTM and Mitsubishi Trust have to meet the minimum capital adequacy requirements and distributions of the retained earnings of MTFG, BTM and Mitsubishi Trust, which are otherwise distributable to shareholders, are restricted in order to maintain the minimum 4% Tier I capital for capital adequacy purpose.

MTFG was established on April 2, 2001 with common stock of ¥924,400 million, preferred stock of ¥222,100 million, legal capital surplus of ¥2,838,693 million and no retained earnings in accordance with the Code and accounting principles generally accepted in Japan. None of the retained earnings recorded in the MTFG's general books of account, prepared in accordance with accounting principles generally accepted in Japan, as of March 31, 2002 (¥67,541 million, exclusive of the amounts to be appropriated for legal reserves and gross unrealized gains on fair valuation of assets, as defined, if any), is restricted by such limitations under the Code or by the Banking Law as described above.

Transfer of Legal Reserve to Retained Earnings

Under the Code Amendments

Effective October 1, 2001, under the Code Amendments, Japanese companies, including MTFG, are permitted, pursuant to a resolution by the shareholders at a general meeting, to transfer legal reserve set aside as appropriation of retained earnings and legal capital surplus to retained earnings until the aggregate amount of the legal reserve and legal capital surplus equals 25% of common stock, which were formerly permitted only to reduce deficit and to transfer to common stock.

Under the Banking Law Amendments

Effective October 1, 2001, under the Banking Law Amendments, Japanese banks, including BTM and Mitsubishi Trust, are permitted, pursuant to a resolution by the shareholders at a general meeting, to transfer legal reserve set aside as appropriation of retained earnings and legal capital surplus to retained earnings until the aggregate amount of the legal reserve and legal capital surplus equals 100% of common stock.

The Code permits the transfer, upon approval of the shareholders, of a portion of unappropriated retained earnings available for dividends to the common stock account.

Annual dividends, including those for preferred stock, are approved by the shareholders at an annual general meeting held subsequent to the fiscal year to which the dividends are applicable. In addition, a semi-annual interim dividend payment may be made by resolution of the Board of Directors, subject to limitations imposed by the Code and the Banking Law.

In the accompanying consolidated statements of shareholders' equity, dividends and appropriations to legal reserve shown for each year represent dividends approved and paid during the year and the related appropriation to legal reserve.

21. REGULATORY CAPITAL REQUIREMENTS

Japan

MTFG, BTM and Mitsubishi Trust are subject to various regulatory capital requirements promulgated by the regulatory authorities of the countries in which they operate. Failure to meet minimum capital requirements will initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on MTFG's consolidated financial statements.

In Japan, MTFG, BTM, and Mitsubishi Trust are subject to regulatory capital requirements administered by the Financial Services Agency of Japan in accordance with the provisions of the Banking Law. A banking institution is subject to the minimum capital adequacy requirements both on a consolidated basis and a stand-alone basis, and is required to maintain the minimum capital irrespective of whether it operates independently or as a subsidiary under the control of another company. When a bank holding company manages operations of its banking subsidiaries, it is required to maintain the minimum capital adequacy ratio in the same manner as its subsidiary banks. The Financial Services Agency provides two sets of capital adequacy guidelines. One is a set of guidelines applicable to Japanese banks and bank holding companies with foreign offices conducting international operations, as defined, and the other is applicable to Japanese banks and bank holding companies that are not engaged in international operations.

Under the capital adequacy guidelines applicable to a Japanese banking institution with international operations conducted by foreign offices, the minimum target capital ratio of 8.0% is required. The capital adequacy guidelines adopt the approach of risk-weighted capital measure based on the framework developed and proposed by the Basel Committee on Banking Supervision of the Bank for International Settlements and involve quantitative credit measures of the assets and certain off-balance-sheet items as calculated under accounting principles generally accepted in Japan. The MTFG Group's proprietary assets do not include trust assets under management and administration in a capacity of agent or fiduciary and trust assets are generally not included in the capital measure. However, guarantees for trust principals are counted as off-balance-sheet items requiring for a capital charge in accordance with the capital adequacy guidelines. Also, a banking institution engaged in certain qualified trading activities, as defined, is required to calculate an additional capital charge for market risk using either the institution's own internal risk measurement model or a standardized process proposed and defined by the Bank for International Settlements. Capital is classified into three tiers, referred to as Tier I, Tier II and Tier III. Tier I generally consists of shareholders' equity (including common stock, preferred stock, capital surplus and retained earnings) less any recorded goodwill. Tier II generally consists of general reserves for credit losses, 45% of the unrealized gains on investment securities available for sale, 45% of the land revaluation excess and the balance of subordinated term debt with an original maturity of over five years, up to 50% of Tier I capital. Preferred stocks are includable in Tier I capital unless the preferred stocks have fixed maturity, in which case, such preferred stocks will be components of Tier II capital. Tier III capital generally consists of short-term subordinated debt with an original maturity of at least two years, subject to certain limitations. At least 50% of the minimum capital ratio must be maintained in the form of Tier I capital.

If a banking institution is not engaged in international operations conducted by foreign offices, it is subject to the other set of capital adequacy requirements with a minimum target capital ratio of 4.0%. Such guidelines incorporate measures of risk under the risk-weighted approach similar to the guidelines applicable to banking institutions with international operations. Qualifying capital is classified into Tier I and Tier II capital.

The Banking Law and related regulations require that one of three categories be assigned to banks and bank holding companies, based on its risk-adjusted capital adequacy ratio if the bank fails to meet the minimum target capital adequacy ratio. These categories indicate capital deterioration, which may be subject to certain prompt corrective action by the Financial Services Agency. If the capital ratio of a banking institution is equal to or greater than the specific preestablished minimum target capital ratio, MTFG, BTM and Mitsubishi Trust are not subject to prompt corrective action.

MTFG, BTM and Mitsubishi Trust have international operations conducted by foreign offices, as defined, and are subject to the 8.0% capital adequacy requirement, while NTB which had no international operations and is subject to the 4.0% minimum requirement. For the purpose of calculating the additional charge for market risk, MTFG, BTM and Mitsubishi Trust have adopted the internal risk measurement model approach for general market risk calculations.

The risk-adjusted capital amounts and ratios of MTFG, BTM, Mitsubishi Trust and NTB, presented in the following table are based on amounts calculated in accordance with accounting principles generally accepted in Japan. As MTFG was established at April 2, 2001, the risk-weighted assets and capital ratios of MTFG at March 31, 2001 set forth below present the combined amounts and ratios of BTM and Mitsubishi Trust before any adjustments including elimination of transactions and balances. These figures are calculated in accordance with Japanese GAAP as required by the Financial Services Agency.

	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
	(in millions except percentages)			
Consolidated:				
At March 31, 2001:				
Total capital (to risk-weighted assets):				
MTFG (combined)	¥6,367,748	10.15%	¥5,017,264	8.00%
BTM	4,896,616	9.69	4,041,520	8.00
Mitsubishi Trust	1,471,132	12.06	975,745	8.00
NTB	54,530	8.17	26,675	4.00
Tier I capital (to risk-weighted assets):				
MTFG (combined)	3,339,260	5.32	2,508,632	4.00
BTM	2,498,222	4.94	2,020,760	4.00
Mitsubishi Trust	841,038	6.89	487,873	4.00
NTB	35,362	5.30	13,337	2.00
At March 31, 2002:				
Total capital (to risk-weighted assets):				
MTFG	¥6,220,529	10.30%	¥4,826,869	8.00%
BTM	5,010,273	10.29	3,892,627	8.00
Mitsubishi Trust	1,333,606	10.83	966,824	8.00
Tier I capital (to risk-weighted assets):				
MTFG	3,181,174	5.27	2,413,435	4.00
BTM	2,556,677	5.25	1,946,313	4.00
Mitsubishi Trust	753,834	6.23	483,412	4.00
Stand-alone:				
At March 31, 2001:				
Total capital (to risk-weighted assets):				
BTM	4,903,619	11.28	3,476,715	8.00
Mitsubishi Trust	1,411,144	11.80	957,029	8.00
NTB	54,004	8.10	26,656	4.00
Tier I capital (to risk-weighted assets):				
BTM	2,475,698	5.70	1,738,357	4.00
Mitsubishi Trust	783,148	6.55	478,514	4.00
NTB	34,839	5.23	13,328	2.00
At March 31, 2002:				
Total capital (to risk-weighted assets):				
BTM	4,360,606	10.37	3,363,679	8.00
Mitsubishi Trust	1,317,970	10.90	952,869	8.00
Tier I capital (to risk-weighted assets):				
BTM	2,182,853	5.19	1,681,839	4.00
Mitsubishi Trust	744,493	6.25	476,434	4.00

The Group has securities subsidiaries in Japan and abroad, which are also subject to regulatory capital requirements. In Japan, the Securities and Exchange Law of Japan requires securities firms to maintain a minimum capital ratio of 120% calculated by as a percentage of capital accounts less certain fixed assets, as determined in accordance with Japan GAAP, against amounts equivalent to market, counterparty credit and operations risks. Specific guidelines are issued as a ministerial ordinance which detail the definition of essential components of the capital ratios, including capital, fixed assets deductions, risks, and related measures. Failure to maintain minimum capital ratio will trigger mandatory regulatory actions and a capital ratio of 100% or less may lead to a suspension of all or part of the business for a period of time and cancellation of a license. Overseas securities subsidiaries are subject to the relevant regulatory capital requirements of the countries or jurisdictions in which they operate.

Management believes, as of March 31, 2002, that MTFG, BTM, Mitsubishi Trust and other regulated securities subsidiaries meet all capital adequacy requirements to which they are subject.

United States of America

In the United States of America, UnionBanCal Corporation (‘‘UNBC’’) and its banking subsidiary Union Bank of California, N.A. (“UBOC”), BTM’s largest subsidiaries operating outside Japan, are subject to various regulatory capital requirements administered by U.S. Federal banking agencies, including minimum capital requirements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, UNBC and UBOC must meet specific capital guidelines that involve quantitative measures of UNBC’s and UBOC’s assets, liabilities, and certain off-balance-sheet items as calculated under U.S. regulatory accounting practices. UNBC’s and UBOC’s capital amounts and UBOC’s prompt corrective action classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require UNBC and UBOC to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to quarterly average assets (as defined).

UNBC’s and the UBOC’s actual capital amounts and ratios are presented as follows:

	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
	(in millions except percentages)			
UNBC:				
At December 31, 2000:				
Total capital (to risk-weighted assets)	$4,091	12.07%	$2,712	8.0%
Tier I capital (to risk-weighted assets)	3,471	10.24	1,356	4.0
Tier I capital (to quarterly average assets)	3,471	10.19	1,363	4.0
At December 31, 2001:				
Total capital (to risk-weighted assets)	4,260	13.35	2,553	8.0
Tier I capital (to risk-weighted assets)	3,661	11.47	1,276	4.0
Tier I capital (to quarterly average assets)	3,661	10.53	1,390	4.0

	Actual		For Capital Adequacy Purposes		Ratios OCC Requires to Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in millions except percentages)					
UBOC:						
At December 31, 2000:						
Total capital (to risk-weighted assets)	$3,671	11.01%	$2,667	8.0%	$3,334	10.0%
Tier I capital (to risk-weighted assets)	3,158	9.47	1,334	4.0	2,001	6.0
Tier I capital (to quarterly average assets)	3,158	9.24	1,367	4.0	1,709	5.0
At December 31, 2001:						
Total capital (to risk-weighted assets)	3,811	12.19	2,502	8.0	3,127	10.0
Tier I capital (to risk-weighted assets)	3,323	10.63	1,251	4.0	1,876	6.0
Tier I capital (to quarterly average assets)	3,323	9.69	1,371	4.0	1,714	5.0

Management believes, as of December 31, 2001, that UNBC and UBOC met all capital adequacy requirements to which they are subject.

As of December 31, 2000 and 2001, the most recent notification from the U.S. Office of the Comptroller of the Currency ("OCC") categorized UBOC as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," UBOC must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed UBOC's category.

22. LOSS PER COMMON SHARE

Reconciliations of net loss and weighted average number of common shares outstanding used for the computation of loss per common share—basic to the adjusted amounts for the computation of loss per common share—assuming dilution for the years ended March 31, 2000, 2001 and 2002 were as follows:

	2000	2001	2002
		(in millions)	
Net loss before cumulative effect of a change in accounting principle	¥ (47,542)	¥ (59,174)	¥ (222,401)
Cumulative effect of a change in accounting principle	—	—	5,867
Net loss	(47,542)	(59,174)	(216,534)
Income attributable to preferred shareholders	(5,464)	(8,336)	(4,168)
Loss available to common shareholders	¥ (53,006)	¥ (67,510)	¥ (220,702)
Loss adjusted to diluted computation	¥ (53,006)	¥ (67,510)	¥ (220,702)

	2000	2001	2002
		(thousands of shares)	
Weighted average common shares outstanding	5,485	5,500	5,555
Weighted average common shares for diluted computation	5,485	5,500	5,555
		(in yen)	
Loss per common share—basic			
Loss before cumulative effect of a change in accounting principle	¥(9,663.81)	¥(12,274.55)	¥(40,789.57)
Cumulative effect of a change in accounting principle	—	—	1,056.25
Net loss	¥(9,663.81)	¥(12,274.55)	¥(39,733.32)
Loss per common share—assuming dilution			
Loss before cumulative effect of a change in accounting principle	¥(9,663.81)	¥(12,274.55)	¥(40,789.57)
Cumulative effect of a change in accounting principle	—	—	1,056.25
Net loss	¥(9,663.81)	¥(12,274.55)	¥(39,733.32)

The weighted average number of common shares outstanding during each year is appropriately adjusted to give retroactive effect to the free distribution of shares made to shareholders, if any, and the stock-for-stock exchanges in connection with the business combination, as described in Note 2. Accordingly, the number of common shares and per-share amounts set forth above are hypothetical and do not reflect actual amounts recorded in the historical financial statements of BTM and Mitsubishi Trust.

1¾% Convertible Bonds due 2002, 3% Exchangeable Guaranteed Notes due 2002, Exchangeable undated bonds, 2½% Convertible Bonds due 2001, 3¼% Convertible Bonds due 2003 and Class 2 Preferred Stock could potentially dilute earnings per common share in the future but were not included in the computation of earnings per common share—assuming dilution for the years ended March 31, 2000 and 2001 due to their antidilutive effects. For the year ended March 31, 2002, 3% Exchangeable Guaranteed Notes due 2002 and Class 2 Preferred Stock could potentially dilute earnings per common share in the future but were not included in the computation of earnings per common share—assuming dilution due to their antidilutive effects.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The MTFG Group uses various derivative financial instruments both for trading purposes and for purposes other than trading (primarily risk management purposes) in the normal course of business to meet the financial needs of its customers, as a source of revenue and to manage its exposures to a variety of risks. The MTFG Group is a party to derivatives, including swaps, forwards, options and other types of derivatives, dealing primarily with market risk associated with interest rate, foreign currency, equity and commodity prices, and credit risk associated with counterparty's nonperformance of transactions.

Market risk is the possibility that future changes in market indices make the financial instruments less valuable. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract, which may exceed the value of underlying collateral. To reduce credit risk, the MTFG Group may require collateral or guaranties based on a case-by-case assessment of creditworthiness of each customer and evaluation of the instrument. The MTFG Group also uses master netting agreements in order to mitigate overall counterparty credit risk.

Trading Activities

The MTFG Group's trading activities include dealing and other activities measured at fair value with gains and losses recognized currently in earnings. As part of its trading activities, the MTFG Group offers a variety of derivative financial instruments and debt instruments for managing interest rate and foreign exchange risk to its domestic and foreign corporate and financial institution customers. The MTFG Group also enters into other types of derivative transactions, including equity and credit-related contracts, for its own account.

Risk Management Activities

As part of risk management activities, the MTFG Group uses certain derivative transactions to manage its interest rate and currency exposures. The MTFG Group maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The MTFG Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation. Interest income and interest expense on hedged variable-rate assets and liabilities, respectively, increase or decrease as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings.

The MTFG Group enters into interest rate swaps and other contracts as part of its interest rate risk management strategy primarily to alter the interest rate sensitivity of its loans, investment securities and deposit liabilities. The MTFG Group's principal objectives in risk management include asset and liability management. Asset and liability management is viewed as one of the methods for the MTFG Group to manage its interest rate exposures on interest-bearing assets and liabilities. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the MTFG Group to effectively manage its interest rate risk position. Option contracts primarily consist of caps, floors, swaptions and options on index futures. Futures contracts used for ALM activities are primarily index futures providing for cash payments based upon the movement of an underlying rate index. The MTFG Group enters into forward exchange contracts, currency swaps and other contracts in response to currency exposures resulting from on-balance-sheet assets and liabilities denominated in foreign currencies in order to limit the net foreign exchange position by currency to an appropriate level.

The risk management activities reduces the MTFG Group's risk exposures economically, however, derivatives used for the risk management activities often fail to meet certain conditions to qualify for hedge accounting and the MTFG Group accounts for such derivatives as trading positions.

For the years ended March 31, 2001 and 2002, except for derivative transactions conducted by certain foreign subsidiaries, the MTFG Group accounts for derivatives held for risk management purposes as trading positions and measured them at fair value.

Embedded Derivatives

Derivative features embedded in other non-derivative host contracts are separated from the host contracts measured at fair value when they are not clearly and closely related to the host contract and meet the definition of a derivative. Unless qualified as a hedge, change in the fair value of such an embedded derivative is recognized currently in earnings. The carrying amount is reported on the consolidated balance sheet with the host contract. The MTFG Group accounts for credit-linked notes as host contracts with embedded derivatives and measures the entire contracts at fair value.

UnionBanCal Corporation

UNBC adopts hedging strategies and uses some types of derivatives to achieve cash flow and fair value hedge accounting for certain transactions.

Cash Flow Hedges

UNBC engages in a few types of cash flow hedging strategies for which the hedged transactions are forecasted future loan interest payments, and the hedged risk is the variability in those payments due to changes in the designated benchmark rate, e.g., US dollar LIBOR. In these strategies, the hedging instruments are matched with groups of variable rate loans such that the tenor of the variable rate loans and that of the hedging instrument is identical. Cash flow hedging strategies include the utilization of purchased floor, caps corridors and interest rate swaps. The maximum length of time over which UNBC is hedging this exposure is 4 years.

UNBC uses purchased interest rate floors to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Payment received under the floor contract offset the decline in loan interest income caused by the relevant LIBOR index falling below the floor's strike rate.

UNBC uses interest rate corridors to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loans. Net payments to be received under the floor corridor contracts offset the decline in loan interest income caused by the relevant LIBOR index falling below the corridor's upper strike rate, but only to the extent the index falls to the lower strike rate.

UNBC uses interest rate swaps to hedge the variable cash flows associated with 1-month LIBOR or 3-month LIBOR indexed loan portfolio. Payment to be received (or paid) under the swap contracts will offset the fluctuation in loan interest receipt caused by changes in the relevant LIBOR index. As such, these instruments hedge all fluctuation in the loans' interest receipt caused by change in LIBOR.

UNBC uses purchased interest rate caps to hedge the variable cash flows associated with 3-month LIBOR or 6-month LIBOR negotiable certificate of deposits ("CDs"). Net payments to be received under the cap contract offset the increase in interest payments caused by the relevant LIBOR index rising above the cap's strike rate.

Hedging transactions are structured at inception so that the notional amounts of the hedge are matched with an equal principal amount of loans or CDs, the index and repricing frequencies of the hedge matches those of the loans or CDs, and the period in which the designated hedged cash flows occur is equal to the term of the hedge. As such, most of the ineffectiveness in the hedging relationship results from the mismatch between the timing of reset date on the hedge versus those of the loans or CDs. During 2001, UNBC recognized a net loss of US$0.5 million due to ineffectiveness, which is recognized in Non-interest expense. Most of the ineffectiveness related to the portion of the options that were being excluded from the assessment of hedge effectiveness.

For cash flow hedges, based upon amounts included in accumulated other comprehensive income at March 31, 2002, the MTFG Group expects to recognize a gross increase of ¥5 billion in net interest income during 2002. This amount could differ from amounts actually realized due to changes in interest rate and the addition of other hedges subsequent to March 31, 2002.

Fair Value Hedge

UNBC engages in an interest rate hedging strategy in which an interest rate swap is associated with a specific interest bearing liability, UnionBanCal Corporation’s obligated mandatorily redeemable Preferred Securities of Subsidiary Grantor Trust (“Trust Preferred Securities”), in order to essentially convert a portion of the liability from a fixed rate to a floating rate instrument. This strategy mitigates the changes in fair value of the hedged liability caused by changes in the designated benchmark interest rate, US dollar LIBOR.

Fair value hedging transactions are structured at inception so that the notional amounts of the swap match an associated principal amount of the Trust Preferred Securities. The interest payment dates, the expiration date, and the embedded call option of the swap match those of the Trust Preferred Securities.

The ineffectiveness on fair value hedges in 2001 resulted in a net gain US$0.1 million, which is recognized in Non-interest Expense.

24. OFF-BALANCE-SHEET CREDIT-RELATED FINANCIAL INSTRUMENTS

The MTFG Group issues off-balance-sheet credit-related financial instruments for purposes other than trading. Such credit-related financial instruments contain lending-related commitments, including commitments to extend credit, standby letters of credit, guaranties, and commercial letters of credit that the MTFG Group provides to meet the financing needs of its customers. For these financial instruments, the contract amount represents the possible credit risk associated with failure of the counterparty to perform in accordance with the terms and conditions of the contract, and the decline in value of the underlying collaterals. The credit risk associated with these financial instruments varies depending on the counterparty’s creditworthiness and the value of any collateral held. Since many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At March 31, 2002, approximately 74% of these commitments will expire within one year, 22% from one year to five years and 4% after five years.

Off-Balance-Sheet Lending-Related Commitments

The following is a summary of the contract amounts of these financial instruments at March 31, 2001 and 2002:

	2001	2002
	(in billions)	
Commitments to extend credit	¥26,752	¥29,367
Standby letters of credit and guarantees	5,263	5,295
Commercial letters of credit	353	378

Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to customers as long as there is no violation of any condition established in the contract.

Standby letters of credit and guarantees are conditional commitments issued by the MTFG Group to guarantee the performance of a customer to a third party. The MTFG Group is obliged to pay the third party upon presentation of a claim that meets the conditions of the commitment; however, based on its past experience, the MTFG Group does not expect the third party to draw significant amounts of funds under such commitment. These guaranties at March 31, 2001 and 2002 included guaranties of securities of other issuers, principally domestic corporate customers, aggregating ¥370 billion and ¥388 billion, respectively, for the payment of bond and note principal and related interest.

Commercial letters of credit, used for facilitating trade transactions, are generally secured by underlying goods. The MTFG Group continually monitors the type and amount of collateral and other security, and requires counterparties to provide additional collateral or guarantors as necessary.

Guarantee for Repayment of Trust Principal

Trust banks, offering a variety of trust arrangements, manage trust funds that contain various portfolios of assets and properties. Some trust arrangements are in the form of money in trusts. Money in trust is a trust arrangement in which money is entrusted to form a trust fund and may be managed jointly to collect funds from individual investors through issuance of beneficiary certificates, which are pooled to achieve greater diversification of investments, stability of income, or other investment objectives. Loan trust is a type of jointly operated designated money in trust, of which funds are principally invested in commercial lending. In view of the trust bank's investment discretion, money trusts are categorized as specified money trust and designated money trust. As to specified money trust, investors decide on and specifically instruct investments of trust assets. A trust bank does not exercise investment decisions, and invests each trust asset in accordance with the specific instructions from the investors. As to designated money trusts, however, a trust bank is allowed to exercise certain investment discretion, subject to the investors' designation of classes of the investment assets.

Mitsubishi Trust manages and administers trust assets in a capacity of agent or fiduciary on behalf of its customers and, in principle, will not assume any risks associated with trust assets. However, as permitted by applicable laws, Mitsubishi Trust may provide guarantees for repayment of principal of certain jointly operated designated money trusts, such as loan trusts, and is contingently liable to the guarantee for principal of individual trust assets.

The accounting principles and practices used for the trust banking subsidiary's consolidated financial statements do not apply to the trust accounts under management. Generally, the application of trust accounting does not affect the recorded assets and liabilities of Mitsubishi Trust. However, for the purpose of identifying an impairment of a loan within the trust account, Mitsubishi Trust follows substantially the same methodology used in determining the specific allowance for loan credit losses, with inherent variations in treatment peculiar to trust fund accounting. Under the trust accounting of the trust banking subsidiary, amounts of the loans deemed to be impaired are written off directly and are charged to the profit earned by the trust account during the trust accounting period. Related write-downs of these securities are also directly charged to the trust account profits. In addition, a statutory reserve is set aside to absorb losses in the trust asset portfolios within each trust account in accordance with relevant legislation concerning trust business. An allowance for losses on such guarantees is required in the financial statements only when aggregate losses on trust assets are judged to exceed the statutory reserve and the profit earned in the trust account, and the principal is deemed to be impaired.

At March 31, 2001 and 2002, contract amounts of such guarantees for repayment of trust principal were ¥4,878 billion and ¥3,441 billion, respectively. Management believes that the statutory reserve is sufficient to absorb probable losses inherent in the trust portfolio and has not recorded an allowance for credit losses on guarantee for repayment of trust principal in the accompanying consolidated balance sheets at March 31, 2001 and 2002.

Resale and Repurchase Agreements and Security Lending Transactions

Security lending transactions involve the lending of securities borrowed from other financial institutions or customers' securities held in custody to third party borrowers. The MTFG Group generally obtains collateral from borrowers, including cash and securities, with similar fair value. The MTFG Group follows strict levels of collateralization governed by daily mark-to-market analyses and a review of the creditworthiness of borrowers to control exposure to credit losses resulting from a reduction in the underlying collateral value and nonperformance by borrowers.

Certain subsidiaries lend customer securities as agent and, at times, indemnify their customers against counterparty default. At March 31, 2001 and 2002, notional amounts of such security lending transactions with indemnification were ¥441 billion and ¥648 billion, respectively.

The MTFG Group enters into repurchase and resale transactions. In a sale of securities or other financial instruments with agreement to repurchase them, the MTFG Group sells securities or other financial instruments at a stated price to a counterparty and agrees to repurchase identical financial instruments from the same counterparty at a later date at the predetermined price which reflect the principal amount and interest. In a purchase of securities or other financial instruments with agreement to resale them, the MTFG Group receives securities or other financial instruments for a stated price from a counterparty and agrees to sell them to the same counterparty at a later date at the predetermined price reflecting the principal amount and interest.

When certain conditions specified in SFAS No. 140 are met, the MTFG Group accounts for resale agreements as purchase of financial instruments with related off-balance-sheet forward resale commitments and repurchase agreements as sale of financial instruments with related off-balance-sheet forward repurchase agreements. The MTFG Group bears the off-balance-sheet risk related to the forward repurchase commitments, including credit risk and market risk. At March 31, 2001 and 2002, contract amounts of such forward repurchase commitments were ¥4,526 billion and ¥677 billion, respectively.

Concentration of Credit Risk

Although the MTFG Group's portfolio of financial instruments, including on-balance-sheet instruments, is widely diversified along industry and geographic lines, a significant portion of the transactions with off-balance-sheet risk are entered into with other financial institutions.

25. COMMITMENTS AND CONTINGENT LIABILITIES

The MTFG Group leases certain office space and equipment under noncancelable agreements expiring through the year 2015.

Future minimum rental commitments for noncancelable leases at March 31, 2002 were as follows:

	Capitalized Leases	Operating Leases
	(in millions)	
Year ending March 31:		
2003	¥ 6,134	¥ 23,864
2004	5,812	21,399
2005	5,423	20,250
2006	4,918	18,820
2007	3,988	11,232
2008 and thereafter	4,089	48,272
Total minimum lease payments	30,364	¥143,837
Amount representing interest	(1,948)	
Present value of minimum lease payments	¥28,416	

Total rental expense for the years ended March 31, 2000, 2001 and 2002 was ¥52,524 million, ¥46,545 million and ¥47,610 million, respectively.

The MTFG Group is involved in various litigation matters. In the opinion of management, the MTFG Group's liabilities, if any, when ultimately determined will not have a material adverse effect on the MTFG Group's financial position.

26. FEES AND COMMISSION INCOME

Details of fees and commission income for the years ended March 31, 2000, 2001 and 2002 were as follows:

	2000	2001	2002
		(in millions)	
Trust fees	¥106,183	¥114,604	¥123,645
Fees on funds transfer and service charges for collections	60,682	60,038	60,910
Commissions and fees on international business	37,089	51,354	53,469
Commissions and fees on credit card business	371	47,852	51,005
Service charges on deposits	19,681	22,672	29,791
Other fees and commissions	145,150	162,883	173,044
Total	¥369,156	¥459,403	¥491,864

27. BUSINESS SEGMENTS

MTFG conducts its business through its principal subsidiaries, BTM and Mitsubishi Trust, which have been granted substantial autonomy in conducting their business, and, therefore, management currently recognizes each of BTM and Mitsubishi Trust as a principal business segment of the MTFG Group.

The business segment information of BTM and its subsidiaries ("BTM Group") and Mitsubishi Trust and its subsidiaries ("Mitsubishi Trust Group"), set forth below, is derived from the internal management reporting system used by management to measure the performance of the business segments. Unlike financial accounting, there is no authoritative body of guidance for management accounting. The business segment information, set forth below, is based on the financial information prepared in accordance with Japanese GAAP along with internal management accounting rules and practices. Accordingly, the format and information is presented primarily on the basis of Japanese GAAP and is not consistent with the consolidated financial statements prepared on the basis of US GAAP. A reconciliation is provided for the total amount of the both groups' segments' total operating profit with income (loss) before income tax expense or benefit under US GAAP.

See Note 28 for financial information relating to the MTFG Group's operations by geographic area. The geographic financial information is consistent with the basis of the accompanying consolidated financial statements.

BTM Group

BTM Group is organized based on a business unit system as follows:

- The Retail Banking and Commercial Banking business units provide a full range of banking products and services for a broad range of customers. The Retail Banking business unit serves individuals and small corporate customers. The Commercial Banking business unit serves large and medium-sized corporations.
- The Global Corporate Banking business unit serves large corporations and some small and medium-sized companies, particularly those with banking needs outside of Japan, and overseas customers (except for UnionBanCal Corporation's customers).
- The Investment Banking business unit provides advisory and other services related to mergers and acquisitions (M&A), private and public securities offerings, project financing, derivatives and securitization and other investment banking activities.
- The Asset Management business unit is responsible for strategic planning and support, including planning and development of asset management products and services, and risk management of the unit's trust and asset management subsidiaries.
- The UNBC business unit is comprised of UnionBanCal Corporation, a publicly traded majority-owned U.S. banking subsidiary that is the holding company for Union Bank of California, N.A.
- The Operations Services unit provides operations and settlement services to BTM Group's other business units, including settlement and foreign exchange.
- The Treasury unit is responsible for BTM Group's asset and liability management and liquidity

The financial performances of BTM Group's major business units, derived from the internal management reporting system, are summarized below. Management does not use information on segments' total assets to allocate resources and assess performance and has not prepared information on segment assets. Accordingly, business segments' information on total assets is also not available.

	Retail Banking	Commercial Banking	Global Corporate Banking	Investment Banking	Asset Management	UNBC	Operations Services	Treasury	Other*	Total
					(in millions)					
Year ended March 31, 2000:										
Net revenue:										
BTM:										
Net interest income	¥199,182	¥219,264	¥127,086	¥ (8)	¥(5,297)	¥ —	¥ 1,020	¥150,733	¥ (33,825)	¥ 658,155
Net fees	18,100	34,859	49,788	21,371	7,003	—	3,465	(2,057)	(30,797)	101,732
Other	10,721	24,319	27,808	17,908	5,440	—	1,090	(8,995)	3,172	81,463
BTM's subsidiaries	16,653	6,141	50,286	37,053	1,633	205,065	14,361	751	8,594	340,537
Total	244,656	284,583	254,968	76,324	8,779	205,065	19,936	140,432	(52,856)	1,181,887
Operating expenses	186,280	132,336	108,478	49,407	5,564	122,570	16,563	21,982	37,223	680,403
Operating profit	¥ 58,376	¥152,247	¥146,490	¥ 26,917	¥ 3,215	¥ 82,495	¥ 3,373	¥118,450	¥ (90,079)	¥ 501,484
Year ended March 31, 2001:										
Net revenue:										
BTM:										
Net interest income	¥197,587	¥215,171	¥133,659	¥ (1,934)	¥(4,443)	¥ —	¥ 1,380	¥ 60,507	¥ (42,988)	¥ 558,939
Net fees	19,716	39,652	60,478	27,833	6,440	—	3,572	(2,924)	(35,577)	119,190
Other	11,872	22,803	22,612	22,253	(2,255)	—	1,380	46,047	43,014	167,726
BTM's subsidiaries	72,276	9,047	53,850	46,141	9,046	256,225	16,040	1,500	8,432	472,557
Total	301,451	286,673	270,599	94,293	8,788	256,225	22,372	105,130	(27,119)	1,318,412
Operating expenses	231,343	130,453	124,491	72,112	12,737	131,869	18,107	23,211	146,766	891,089
Operating profit	¥ 70,108	¥156,220	¥146,108	¥ 22,181	¥(3,949)	¥124,356	¥ 4,265	¥ 81,919	¥(173,885)	¥ 427,323
Year ended March 31, 2002:										
Net revenue:										
BTM:										
Net interest income	¥176,297	¥216,041	¥136,872	¥ 3,941	¥ (361)	¥ —	¥ 867	¥152,008	¥ (21,416)	¥ 664,249
Net fees	23,314	43,631	68,365	31,492	5,274	—	3,988	(5,009)	(40,522)	130,533
Other	10,737	26,723	18,956	26,748	(4,915)	—	1,137	57,811	(4,960)	132,237
BTM's subsidiaries	72,787	11,342	57,887	52,357	8,943	295,898	15,458	2,265	8,571	525,508
Total	283,135	297,737	282,080	114,538	8,941	295,898	21,450	207,075	(58,327)	1,452,527
Operating expenses	230,602	126,834	134,559	72,577	13,884	163,641	17,635	28,370	57,001	845,103
Operating profit	¥ 52,533	¥170,903	¥147,521	¥ 41,961	¥(4,943)	¥132,257	¥ 3,815	¥178,705	¥(115,328)	¥ 607,424

* Other includes the Systems Services unit, the e-Business & Initiatives unit, and the Corporate Center and eliminates overlapping allocation.

Management measures performance of each business unit by "operating profit", which includes profits or losses of BTM's subsidiaries. Financial information of each BTM's subsidiary is assigned to only one business unit, based on its major products or services provided and its major type of customers. "Operating profit" is a defined term in BTM's regulatory reporting to the Financial Services Agency.

"Net revenue" above includes net interest income, net fees (that is, fees and commissions received, net of fees paid and other related expenses), and other gains, such as net trading gains, net foreign exchange gains, and net gains from sales of debt investment securities measured under Japanese GAAP. Interest income and expenses between business units are determined using an internal transfer pricing system, based on current market rates.

"Operating expenses" include salaries and employee benefits, occupancy and certain other non-interest expenses. In determining operating profit, BTM Group does not assign to each business unit certain income and expense items such as specific provisions for loan loss reserve, equity investment securities gains or losses, minority interest in earnings or losses of BTM's subsidiaries, equity in earnings or losses of BTM's affiliated companies, goodwill amortization and impairment, net gains or losses from disposition of premises and equipment, and other certain non-interest income and expense items.

Frequently, the business units work together in connection with providing services to customers. In accordance with BTM Group's internal management accounting policies, BTM Group does not apportion the net revenue relating to a particular transaction among the participating business units. Instead, BTM Group assigns the total amount of net revenue relating to each of these transactions to each participating business unit. As a result, some items of net revenue are recorded as part of the operating results of more than one business unit. Any overlapping allocations are eliminated in the "Other" column. The following is the summary of the aggregate amounts of this overlapping allocation of net revenue for the business units for the years ended March 31, 2000, 2001 and 2002.

	Retail Banking	Commercial Banking	Global Corporate Banking	Asset Management	Total Amount Eliminated
			(in millions)		
Year ended March 31, 2000:					
Investment banking	¥ —	¥3,823	¥21,785	¥629	¥26,237
Year ended March 31, 2001:					
Investment banking	3	5,606	28,005	538	34,152
Year ended March 31, 2002:					
Investment banking	—	7,837	30,157	—	37,994

On April 2, 2001, NTB became a wholly owned subsidiary of MTFG and has been excluded from BTM's consolidation. On October 1, 2001, NTB and TTB merged with and into Mitsubishi Trust and, accordingly, BTM's segment internal management reports do not include the financial performance of NTB and TTB subsequent to the merger. Their post-merger financial performance is reflected in Mitsubishi Trust's segment information. BTM's segment information for the period ended March 31, 2000 and 2001 has been restated to reflect the exclusion of NTB and TTB from its consolidation. NTB's operation principally includes pension trust services, securities operations, real estate services, property management services, and stock transfer agency services. TTB's principal business includes securities lending transactions, asset securitizations and other financial securities. The following is a summary of financial performance of NTB and TTB for years ended March 31, 2000 and 2001 and six months ended September 30, 2001, derived from the internal management systems of these banks without any adjustments.

	Year ended March 31, 2000	Year ended March 31, 2001	Six months ended September 30, 2001
		(in millions)	
Net revenue	¥40,891	¥37,020	¥12,100
Operating expenses	26,298	20,210	14,341
Operating profit	¥14,593	¥16,810	¥ (2,241)

Mitsubishi Trust Group

Effective April 1, 2001, Mitsubishi Trust reorganized its business group structure and redefined functions and activities performed by each of its operating groups; Trust-Banking, Trust Assets, Real Estate and Global

Markets. In addition, Mitsubishi Trust includes the financial performance of subsidiaries in its internal management reporting for year ended March 31, 2002. Due to merger of NTB and TTB on October 1, 2001, only the financial performance of NTB and TTB for the second half of the year ended March 31, 2002 are reflected on Mitsubishi Trust's business segment information.

- The Trust-Banking business group provides a full range of commercial banking products and services to corporations, institutional investors, public organizations and individual customers. It serves the corporate customers by providing financial products to meet the customers' short- and long-term asset management and fund-raising objectives. It also provides retail customers with investment and other products for the creation of wealth. The Trust-Banking business group also manages loan portfolios associated with certain jointly operated designated money trusts such as loan trusts. A jointly operated designated money trust manages pooled funds collected from individual investors for investment returns. A loan trust is a type of jointly operated designated money trust primarily investing in long-term commercial loans. Other services provided by the Trust-Banking business group include stock transfer agency services. Mitsubishi Trust offers agency services for the transfer of the title of stocks and related advisory services.
- The Trust Assets business group covers fiduciary asset management and administration services. In line with fiduciary asset management services, Mitsubishi Trust takes charge of corporate pensions, public pensions, public sector funds, individual funds and certain other funds, based on the customers' needs. Actuarial and other pension-related consulting services are provided. In the asset administration service, a broad range of custodial services is also provided to corporations, institutional investors and other customers.
- The Real Estate business group offers real estate services including brokerage of real estate purchases, sale and leasing transactions, advising customers of how to optimize the strategic use of their real estate assets, and offering real estate trust products, such as management, disposal and land trusts. Mitsubishi Trust employs highly qualified experts from a number of property-related fields to execute its real estate business, ranging from real estate agents and licensed real estate appraisers to architects and real estate financing transaction specialists.
- The Global Markets business group is active in various financial operations, including banking, money and capital markets operations, securities investments and custody operations and asset management, through the network of foreign branches and subsidiaries in the Americas, Europe and Asia. The Global Markets business group also manages investment securities portfolios and placements of excess funds associated with certain jointly operated designated money trusts.

The financial performance of the Mitsubishi Trust Group's business groups, derived from the internal management reporting system, is summarized below. Business segment information for years ended March 31, 2000 and 2001 has been restated to reflect changes in group structure and inclusion of subsidiary information discussed above. However, it is not practicable to restate business segment information for the years ended March 31, 2000 and 2001 to reflect the effect of merger of NTB and TTB because the differences in the policy and process of compiling and summarizing segment information between Mitsubishi Trust and NTB and TTB have made impractical the precise and reasonable allocation of financial performance of NTB and TTB to each of the Mitsubishi Trust's business groups. Management does not use information on segments' total assets to allocate resources and assess performance, and has not prepared information on segment assets. Accordingly, business segments' information on total assets is not available.

	Trust-Banking	Trust Assets	Real Estate	Global Markets	Other*	Total
			(in millions)			
Year ended March 31, 2000:						
Mitsubishi Trust:						
Net revenue:						
Net interest income	¥ 69,429	¥ —	¥ —	¥ 65,243	¥ 8,243	¥142,915
Fees on jointly operated designated money trusts	25,668	—	—	33,513	21,160	80,341
Other fees	17,364	49,996	8,991	(129)	—	76,222
Other	312	—	—	22,044	(210)	22,146
Total	112,773	49,996	8,991	120,671	29,193	321,624
Operating expenses	68,190	28,872	6,728	16,725	23,336	143,851
Mitsubishi Trust's subsidiaries	—	—	—	—	6,045	6,045
Operating profit	¥ 44,583	¥21,124	¥ 2,263	¥103,946	¥11,902	¥183,818
Year ended March 31, 2001:						
Mitsubishi Trust:						
Net revenue:						
Net interest income	¥ 75,848	¥ —	¥ —	¥ 59,255	¥15,069	¥150,172
Fees on jointly operated designated money trusts	19,163	—	—	32,415	14,612	66,190
Other fees	19,380	49,904	12,004	287	—	81,575
Other	213	—	—	9,140	350	9,703
Total	114,604	49,904	12,004	101,097	30,031	307,640
Operating expenses	67,654	26,796	6,316	16,587	27,212	144,565
Mitsubishi Trust's subsidiaries	—	—	—	—	3,003	3,003
Operating profit	¥ 46,950	¥23,108	¥ 5,688	¥ 84,510	¥ 5,822	¥166,078
Year ended March 31, 2002:						
Mitsubishi Trust:						
Net revenue:						
Net interest income	¥ 72,706	¥ —	¥ —	¥ 96,072	¥10,711	¥179,489
Fees on jointly operated designated money trusts	16,563	—	—	27,910	17,016	61,489
Other fees	27,017	54,334	11,683	(3,306)	—	89,728
Other	105	—	—	(14,768)	(50)	(14,713)
Total	116,391	54,334	11,683	105,908	27,677	315,993
Operating expenses	69,139	33,249	8,083	17,858	31,421	159,750
Mitsubishi Trust's subsidiaries	—	—	—	—	(293)	(293)
Operating profit	¥ 47,252	¥21,085	¥ 3,600	¥ 88,050	¥ (4,037)	¥155,950

* Other includes certain divisions of the corporate headquarters (e.g., personnel and planning) and adjustments.

Management measures performance of each business group by "operating profit". "Operating profit" is a defined term in Mitsubishi Trust's regulatory reporting to the Financial Services Agency. The financial performance of subsidiaries are measured by ordinary profit or loss derived from the financial statements of Mitsubishi Trust's subsidiaries. Because of limited significance of subsidiary operations, Mitsubishi Trust does not assign the subsidiary financial performances to business groups and manage them on an aggregate basis.

"Net revenue" above includes net interest income, net fees (that is, fees and commissions received, net of fees paid and other related expenses), and other gains, such as net trading gains, net foreign exchange gains, and net gains from sales of investment debt securities measured under Japanese GAAP. "Operating expenses" include salaries and employee benefits, occupancy and certain other non-interest expenses. In determining operating profit, the Mitsubishi Trust Group does not assign to each business group certain income and expense items such as provisions for loan loss reserve, equity investment securities gains or losses, minority interest in earnings or losses of Mitsubishi Trust's subsidiaries, equity in earnings or losses of Mitsubishi Trust's affiliated companies, goodwill amortization and impairment, net gains or losses from disposition of premises and equipment, and other certain non-interest income and expense items.

"Fees on jointly operated designated money trusts" include trust fees, accounted for on a cash basis, which are associated with loan trusts and other types of jointly operated designated money in trusts, including certain money trusts with guarantee for repayment of principal. The amounts assigned to the Trust-Banking business group are fees associated with the return on lending activities and the amounts assigned to the Global Markets business group are fees resulting from the management of investment securities included in the trust accounts. Amounts of write-downs for trust assets recorded within each trust account, which eventually reduce the trust fees to be recognized in Mitsubishi Trust's financial statements, are excluded from the business group's performance measure on jointly operated designated money trusts, and the fee amounts are before provision for write-downs of individual investments. Such write-downs, recognized within each trust, are shown in the reconciliations of the business segments' total operating profit to income or loss before income tax expense or benefit. Fees on such trusts are determined at the end of respective accounting periods of individual trust accounts and Mitsubishi Trust recognizes such fees, on a cash basis, in its Japanese GAAP financial statements. For measuring the performance of the Trust-Banking and Global Markets business groups, Mitsubishi Trust focuses on the results of performance during the term corresponding to the fiscal period. Since the trust accounting periods do not necessarily correspond with Mitsubishi Trust's fiscal period, fee amounts shown in the Japanese GAAP financial statements do not meet the objective of management reporting without certain adjustments. Accordingly, Mitsubishi Trust allocates amounts to the business group to show the fee amounts that would have been earned, on an accrual basis, if each trust accounting period have corresponded with Mitsubishi Trust's fiscal period.

"Other fees" include trust fees other than fees on certain jointly operated designated money trusts, such as retirement benefit trusts and securities-related trust, including specified money trust and independently operated designated money trust, and fiduciary and custodial services related to asset management and administration. Fees and commissions on securitizations, stock transfer agency services and real estate business are also included in this line.

"Net revenue" included in the "Other" column includes interest and dividends on certain investment securities held for relationship management. "Fees on jointly operated designated money trusts" under " Other" include the amounts representing the recoveries of trust assets previously written off and reversal of the statutory reserve, both of which are accounted for as a reduction of the trust fees. Also, included in the amounts under "Other" are the adjustments for the amounts of the Trust-Banking business group based on Mitsubishi Trust's fiscal period to the segments' total amounts, which are determined, based on the accounting periods of the trust accounts.

Reconciliation

As set forth above, the measurement bases and the income and expenses items covered are very different between the internal management reporting system and the accompanying consolidated statements of operations. Therefore, it is impracticable to present reconciliations of the business segments' total information, other than operating profit, to corresponding items in the accompanying consolidated statements of operations.

Reconciliations of the total amount of the both Groups' segments' total operating profit under the internal management reporting system for the years ended March 31, 2000, 2001 and 2002 above to income or loss before income tax expense or benefit shown on the consolidated statements of operations are as follows:

	2000	2001	2002
		(in billions)	
Operating profit:			
BTM	¥ 501	¥ 427	¥ 607
Mitsubishi Trust	184	166	156
Total	685	593	763
Trust fees adjusted for write-downs of trust assets	(60)	(37)	(19)
Provision for credit losses	(368)	(688)	(580)
Trading account profit (loss)	(181)	96	12
Equity investment securities gains (losses)—net	100	169	(23)
Foreign exchange gains (losses)—net	88	(73)	(275)
Losses on other real estate owned	(70)	(16)	(6)
Goodwill amortization	(3)	(4)	(8)
Minority interest	(16)	(20)	(22)
Other—net	(172)	(16)	(166)
Income or loss before income tax expense or benefit	¥ 3	¥ 4	¥(324)

28. FOREIGN ACTIVITIES

Foreign operations include the business conducted by overseas offices, as well as international business conducted from domestic offices, principally several international banking-related divisions of BTM's and Mitsubishi Trust's Head Office in Tokyo and involve various transactions with debtors and customers residing outside Japan. Close integration of the MTFG Group's foreign and domestic activities makes precise estimates of the amounts of assets, liabilities, income and expenses attributable to foreign operations difficult and necessarily subjective. Assets, income and expenses attributable to foreign operations are allocated to geographical areas based on the domiciles of the debtors and customers.

Generally, interest rates with respect to funds borrowed and loaned between domestic and foreign operations are based on prevailing money market rates appropriate for the transactions. In general, the MTFG Group has allocated all direct expenses and a proportionate share of general and administrative expenses to income derived from foreign loans and other transactions by the MTFG Group's foreign operations. The following table sets forth estimated total assets at March 31, 2000, 2001 and 2002, and estimated gross revenue, total expenses, income or loss before income tax expense or benefit and net income or loss for the respective years then ended.

	Domestic	Foreign				
	Japan	United States of America	Europe	Asia/Oceania Excluding Japan	Other Areas*	Total
	(in millions)					
Year ended March 31, 2000:						
Total revenue	¥ 1,491,063	¥ 606,245	¥ 187,728	¥ 237,083	¥ 163,416	¥ 2,685,535
Total expenses	1,536,170	573,106	295,939	171,653	106,049	2,682,917
Income (loss) before income tax expense or benefit	(45,107)	33,139	(108,211)	65,430	57,367	2,618
Net income (loss)	(33,359)	(8,754)	(113,921)	53,895	54,597	(47,542)
Total assets at end of year	65,749,190	9,279,498	4,448,318	3,497,869	2,021,125	84,996,000
Year ended March 31, 2001:						
Total revenue	1,605,832	759,958	411,683	256,602	204,723	3,238,798
Total expenses	1,950,675	671,420	298,086	172,512	142,516	3,235,209
Income (loss) before income tax expense or benefit	(344,843)	88,538	113,597	84,090	62,207	3,589
Net income (loss)	(362,280)	58,104	111,950	72,011	61,041	(59,174)
Total assets at end of year	68,251,884	11,890,868	7,333,229	3,408,333	2,604,636	93,488,950
Year ended March 31, 2002:						
Total revenue	1,258,746	701,739	364,926	259,934	132,357	2,717,702
Total expenses	1,645,897	733,180	356,406	215,119	91,333	3,041,935
Income (loss) before income tax expense or benefit and cumulative effect of a change in accounting principle	(387,151)	(31,441)	8,520	44,815	41,024	(324,233)
Net income (loss)	(236,546)	(57,036)	4,131	34,984	37,933	(216,534)
Total assets at end of year	69,162,382	12,346,379	6,668,616	3,297,980	2,889,757	94,365,114

* Other Areas primarily include Canada, Latin America and the Caribbean.

The following is an analysis of certain asset and liability accounts related to foreign activities at March 31, 2001 and 2002:

	2001	2002
	(in millions)	
Cash and due from banks	¥ 502,337	¥ 251,135
Interest-earning deposits in other banks	2,796,979	2,641,903
Total	¥ 3,299,316	¥ 2,893,038
Trading account assets	¥ 2,432,219	¥ 1,868,779
Investment securities	¥ 5,555,952	¥ 5,937,177
Loans—net of unearned income and deferred loan fees	¥11,062,646	¥11,668,017
Deposits, principally time deposits and certificates of deposit by foreign banks	¥14,156,784	¥11,791,971
Funds borrowed:		
Call money, funds purchased, and receivables under repurchase agreements and securities lending transactions	¥ 1,993,420	¥ 2,429,634
Other short-term borrowings	442,558	622,414
Long-term debt	2,120,321	1,833,252
Total	¥ 4,556,299	¥ 4,885,300
Trading account liabilities	¥ 2,229,001	¥ 1,456,605

The MTFG Group had no cross-border outstandings, as defined in the Securities Act Industry Guides 3, in any foreign country, which exceeded 0.75% of consolidated total assets at March 31, 2001, and 2002.

29. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments and, therefore, fair values for such financial instruments are estimated using discounted cash flow models or other valuation techniques. Although management uses its best judgment in estimating fair values of financial instruments, estimation methodologies and assumptions used to estimate fair values are inherently subjective. Accordingly, the estimates presented herein are not necessarily indicative of net realizable or liquidation values. The use of different estimation methodologies and/or market assumptions may have a significant effect on the estimated fair values. The estimated fair values of financial instruments do not include valuations of related intangible assets such as core deposits.

The following is a summary of carrying amounts and estimated fair values of financial instruments at March 31, 2001 and 2002:

	2001		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in billions)			
Financial assets:				
Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	¥12,940	¥12,940	¥10,867	¥10,867
Trading account assets, excluding derivatives	3,979	3,979	5,020	5,020
Investment securities	22,037	22,052	23,555	23,568
Loans, net of allowance for credit losses	47,954	48,238	48,495	48,741
Other financial assets	1,417	1,417	2,524	2,524
Derivative financial instruments:				
Trading activities	3,164	3,164	2,478	2,478
Activities qualifying for hedges	5	31	13	13
Financial liabilities:				
Non-interest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	13,287	13,287	14,501	14,501
Interest-bearing deposits	55,546	55,689	58,402	58,416
Debentures	3,404	3,438	2,269	2,280
Trading account liabilities, excluding derivatives	1,451	1,451	177	177
Obligations to return securities received as collateral	296	296	316	316
Due to trust account	3,673	3,673	2,282	2,282
Other short-term borrowings	2,130	2,130	3,319	3,319
Long-term debt	4,963	5,158	5,184	5,340
Other financial liabilities	2,286	2,286	2,603	2,603
Derivative financial instruments:				
Trading activities	2,621	2,621	2,319	2,319
Activities qualifying for hedges	4	17	2	2

The methodologies and assumptions used to estimate the fair value of the financial instruments are summarized below.

Cash, due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions—For cash, due from banks including interest-earning deposits, and call loans and funds sold, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature and limited credit risk. For receivables under resale agreements and securities borrowing transactions, the fair values are based on quoted market prices, when available, or estimated with reference to quoted market prices for similar instruments when quoted market prices are not available.

Trading account securities—Trading securities and short trading positions of securities are carried at fair value, which is principally based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Investment securities—The fair values of investment securities, where quoted market prices or secondary market prices are available, are equal to such market prices. For investment securities, when quoted market prices or secondary market prices are not available, the fair values are estimated using quoted market prices for similar securities or based on appraised value as deemed appropriate by management. The fair value of investment securities other than those classified neither available for sale nor being held to maturity (i.e., nonmarketable equity securities) at March 31, 2001 and 2002 were not readily determinable. Therefore, the above summary does not include the carrying amounts of such investment securities amounting to ¥169 billion and ¥129 billion at March 31, 2001 and 2002, respectively.

Loans—The fair values of loans are estimated for groups of similar loans based on type of loan, credit quality and remaining maturity. In incorporating the credit risk factor, management concluded that the allowance for credit losses adequately adjusts the related book values for credit risk. For floating- or adjustable-rate loans, which mature or reprice within a short period of time, the carrying values are considered to be a reasonable estimate of fair values. For fixed-rate loans, market prices are not generally available and the fair values are estimated by discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates corresponding to the applicable maturity. Where market prices are available, primarily for loans to refinancing countries and certain other foreign loans, the fair values are based on such market prices, including secondary market prices. For non-performing loans, the fair values are generally determined on an individual basis by discounting the estimated future cash flows and may be based on the appraisal value of underlying collateral as appropriate.

Other financial assets—The estimated fair values of other financial assets, which primarily include accrued interest receivable, customers' acceptance liabilities and accounts receivable, approximate their carrying amounts.

Derivative financial instruments—The estimated fair values of derivative financial instruments are the amounts the MTFG Group would receive or pay to terminate the contracts at the balance-sheet date, taking into account the current unrealized gains or losses on open contracts. They are based on market or dealer quotes when available. Valuation models such as present value and option pricing models are applied to current market information to estimate fair values when such quotes are not available.

Non-interest-bearing deposits, call money and funds purchased, payables under repurchase agreements and securities lending transactions, and obligations to return securities received as collateral—The fair values of non-interest-bearing deposits are equal to the amounts payable on demand. For call money and funds purchased, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature. For payables under repurchase agreements and securities lending transactions and obligations to return securities received as collateral, the fair values are generally based on quoted market prices, when available, or estimated using quoted market prices for similar instruments when quoted market prices are not available.

Interest–bearing deposits—The fair values of demand deposits, deposits at notice, and certificates of deposit maturing within a short period of time are the amounts payable on demand. Fair values of time deposits and certificates of deposit maturing after a short period of time are estimated by discounting the estimated cash flows using the rates currently offered for deposits of similar remaining maturities or the applicable current market rates.

Debentures—The fair values of debentures are estimated using a discounted cash flow model based on quoted market rates or, if available, secondary market rates currently available for debentures with similar terms and remaining maturities.

Due to trust account—For due to trust account, which reflects a temporary placement of excess fund from individual trust accounts managed by the trust banking subsidiary in their fiduciary and trust capacity, the carrying amount is a reasonable estimate of the fair value due to its nature similar to short-term funding, including demand deposits and other overnight funds purchased, in a manner that the balance changes in response to the day-to-day changes in excess funds placed by the trust accounts.

Other short-term borrowings—For most other short-term borrowings, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature. For certain borrowings, fair values are estimated by discounting the estimated future cash flows using applicable current market interest rates or comparable rates for similar instruments, which represent the MTFG Group's cost to raise funds with a similar remaining maturity.

Long-term debt—For convertible bonds and certain subordinated debt, the fair values are estimated based on quoted market prices of the instruments. The fair value of other long-term debt are estimated using a discounted cash flow model based on rates applicable to the MTFG Group for debt with similar terms and remaining maturities.

Other financial liabilities—The estimated fair values of other financial liabilities, which primarily include accrued interest payable, bank acceptances and accounts payable, approximate their carrying amounts.

The fair values of certain off-balanced-sheet credit-related financial instruments held for purposes other than trading, including commitments to extend credit, guarantee for repayment of trust principal, standby letters of credit and guaranties and commercial letters of credit, are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the credit quality. The aggregate fair value of such instruments at March 31, 2001 and 2002 was not material.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2001 and 2002. These amounts have not been comprehensively revalued since that date and, therefore, current estimates of fair values may have changed significantly from the amounts presented herein.

30. UNBC MANAGEMENT STOCK PLAN

UNBC has two management stock plans. The Year 2000 UnionBanCal Corporation Stock Plan, effective January 1, 2000 (the "2000 Stock Plan"), and the UnionBanCal Corporation Management Stock Plan, restated effective June 1, 1997 (the "1997 Stock Plan"), have 10.0 million and 6.6 million shares, respectively, of UNBC's common stock authorized to be awarded to key employees and outside directors of UNBC at the discretion of the Executive Compensation and Benefits Committee of UNBC's Board of Directors (the "Committee"). Employees on rotational assignment from BTM are not eligible for stock awards.

The Committee determines the term of each stock option grant, up to a maximum of ten years from the date of grant. The exercise price of the options issued under the Stock Plan shall not be less than the fair market value on the date the option is granted. Unvested restricted stock issued under the Stock Plan is shown as a reduction to retained earnings in UNBC's financial statements. The value of the restricted shares at the date of grant is amortized to compensation expense over its vesting period. All cancelled or forfeited options and restricted stock become available for future grants.

In 1999, 2000 and 2001, UNBC granted options to non-employee directors and various key employees, including policy-making officers under the 1997 and 2000 Stock Plans. Under both Stock Plans, options granted to employees vest pro-rata on each anniversary of the grant date and become fully exercisable three years from the grant date, provided that the employee has completed the specified continuous service requirement. The options vest earlier if the employee dies, is permanently disabled, or retires under certain grant, age, and service conditions. Options granted to non-employee directors are fully vested on the grant date and exercisable 33 1⁄3 percent on each anniversary under the 1997 Stock Plan, and fully vested and exercisable on the grant date under the 2000 Stock Plan. The following is a summary of stock option transactions under the Stock Plans.

	Years Ended December 31,					
	1999		2000		2001	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	1,740,081	$21.47	3,281,273	$28.46	5,191,899	$28.47
Granted	1,747,750	34.31	2,126,506	27.99	3,448,242	30.03
Exercised	(157,007)	14.65	(98,004)	13.18	(557,597)	19.02
Forfeited	(49,551)	33.04	(117,876)	32.04	(143,273)	29.91
Options outstanding, end of year	3,281,273	$28.46	5,191,899	$28.47	7,939,271	$29.79
Options exercisable, end of year	1,266,976	$20.01	2,135,228	$25.90	3,009,555	$29.53

The weighted-average fair value of options granted was $9.77 during 1999, $10.21 during 2000, and $10.38 during 2001.

The following table summarizes information about stock options outstanding.

	Options Outstanding at December 31, 2001			Options Exercisable at December 31, 2001	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 8.92 - 12.83	189,601	2.4 years	$10.99	189,601	$10.99
18.29 - 25.00	558,381	4.7	21.55	479,191	21.26
27.56 - 37.96	7,168,289	7.9	30.88	2,325,431	32.65
44.56 - 44.56	23,000	7.9	44.56	15,332	44.56
	7,939,271			3,009,555	

In 1999, 2000, and 2001, UNBC also granted 1,050, 13,500 and 6,000 shares, respectively, of restricted stock to key officers, including policy-making officers, under the Stock Plan. The awards of restricted stock vest pro rata on each anniversary of the grant date and become fully vested four years from the grant date, provided that the employee has completed the specified continuos service requirement. They vest earlier if the employee dies, is permanently and totally disabled, or retires under certain grant, age, and service conditions. Restricted shareholders have the right to vote their restricted shares and receive dividends.

The following is a summary of restricted stock transactions under the Stock Plan.

	Years Ended December 31,					
	1999		2000		2001	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding, beginning of year	1,504,302	$14.12	1,496,106	$14.05	1,506,162	$14.11
Granted	1,050	32.88	13,500	25.00	6,000	37.10
Cancelled	(9,246)	27.60	(3,444)	31.66	(636)	37.47
Restricted stock awards outstanding, end of year	1,496,106	$14.05	1,506,162	$14.11	1,511,526	$14.19
Restricted stock awards vested, end of year	1,290,900	$11.84	1,408,696	$13.00	1,469,354	$13.66

At December 31, 1999, 2000 and 2001, 989,811, 8,969,424 and 5,659,091 shares, respectively, were available for future grants as either stock options or restricted stock under the Stock Plan.

UNBC follows the intrinsic value based method prescribed in Accounting Principle Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations in accounting for its employee stock-based compensation plan. Accordingly, no compensation cost has been recognized for its stock option grants. Had compensation cost for UNBC's stock-based plan been determined based on the fair value at the grant dates for awards under that plan consistent with the method of SFAS No. 123, "Accounting for Stock-Based Compensation", UNBC's net income and net income per share would have decreased to the pro forma amounts indicated in the following table.

		Years Ended December 31,		
(Dollars in thousands, except per share data)		1999	2000	2001
Net income	As reported	$441,731	$439,900	$481,428
	Pro forma	435,766	429,730	464,750
Net income per share—basic	As reported	$ 2.65	$ 2.72	$ 3.05
	Pro forma	2.62	2.66	2.94
Net income per share—diluted	As reported	$ 2.64	$ 2.72	$ 3.04
	Pro forma	2.61	2.65	2.93

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants made in 1999, 2000 and 2001; risk-free interest rates of 5.2 percent in 1999, 6.4 percent in 2000, and 4.9 percent in 2001; expected volatility of 30 percent in 1999, 44 percent in 2000, and 45 percent in 2001; expected lives of 5 years for 1999, 2000, and 2001; and expected dividend yields of 2.2 percent in 1999, 3.5 percent in 2000, and 3.4 percent in 2001.

Effective January 1, 1997, UNBC established a Performance Share Plan. Eligible participants may earn performance share awards to be redeemed in cash three years after the date of grant. Performance shares are linked to shareholder value in two ways: (1) the market price of UNBC's common stock, and (2) return on equity, a performance measure closely linked to value creation. Eligible participants generally receive grants of performance shares annually. The total number of performance shares granted under the plan cannot exceed 600,000. UNBC granted 22,000 shares in 1999, 31,500 shares in 2000, and 68,000 shares in 2001. No performance shares were forfeited in either 1999 or in 2000. In 2001, 9,000 performance shares were forfeited. The value of a performance share is equal to the market price of UNBC's common stock. All cancelled or forfeited performance shares become available for future grants.

When the stock option is exercised, the MTFG Group accounts for a decrease in its ownership as a sale of a portion of its investment in UNBC, and the resulting gains or losses are recognized in earnings.

31. PARENT COMPANY ONLY FINANCIAL INFORMATION

Distributions of retained earnings of BTM and Mitsubishi Trust are restricted in order to meet the minimum capital adequacy requirements under the Banking Law. Also, retained earnings of these banking subsidiaries are restricted in accordance with the statutory reserve requirements under the Code (see Note 21).

The following table presents the parent company only financial information of MTFG for the years ended March 31, 2002.

***Condensed balance sheet*s**

	2001	2002
	(in millions)	
Assets:		
Cash and interest-earning deposits with banks	¥ —	¥ 39,212
Investments in subsidiaries	3,201,578	2,573,874
Investments in convertible bonds of a subsidiary	—	266,417
Other assets	—	19,883
Total assets	¥3,201,578	¥2,899,386
Liabilities and shareholders' equity:		
Convertible bonds	¥ —	¥ 266,417
Other liabilities	—	6,472
Total liabilities	—	272,889
Shareholders' equity	3,201,578	2,626,497
Total liabilities and shareholders' equity	¥3,201,578	¥2,899,386

Condensed Statements of Operations

	2000	2001	2002
		(in millions)	
Income:			
Dividends from subsidiaries	¥ —	¥ —	¥ 67,523
Management fees from subsidiaries	—	—	4,967
Interest income	—	—	7,145
Other income	—	—	191
Total income	—	—	79,826
Expense:			
Operating expenses	—	—	5,426
Interest expense	—	—	7,166
Other expense	—	—	49
Total expense	—	—	12,641
Equity in undistributed net loss of subsidiaries	(47,542)	(59,174)	(283,855)
Loss before income tax benefit	(47,542)	(59,174)	(216,670)
Income tax benefit	—	—	(136)
Net loss	¥(47,542)	¥(59,174)	¥(216,534)

Condensed Statement of Cash Flows

	2002
	(in millions)
Operating activities:	
Net loss	¥(216,534)
Adjustments and other	283,365
Net cash provided by operating activities	66,831
Investing activities:	
Net increase in interest-earning deposits with banks	(38,700)
Purchase of equity investment in a subsidiary	(12,827)
Other	(14,639)
Net cash used in investing activities	(66,166)
Financing activities:	
Proceeds from sales of treasury stock	6,998
Payments to acquire treasury stock	(7,381)
Other	230
Net cash used in financing activities	(153)
Net increase in cash and cash equivalents	512
Cash and cash equivalents at end of period	¥ 512

Note — For the years ended March 31, 2000 and 2001, there were no activities involving cash flows.

32. EVENTS SINCE MARCH 31, 2002

On June 27, 2002, the shareholders approved (1) payment of cash dividends to the shareholders of record on March 31, 2002 of ¥82,500 per share of Class 1 preferred stock, totaling ¥6,716 million, of ¥16,200 per share of Class 2 preferred stock, totaling ¥1,620 million, and of ¥6,000 per share of common stock, totaling ¥34,453 million and (2) a reduction of legal capital surplus and transfer to unappropriated retained earnings of ¥600,000 million.

* * * * *

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

MITSUBISHI TOKYO FINANCIAL GROUP, INC.

By: /s/ SHIGEMITSU MIKI

Name: Shigemitsu Miki

Title: President and Chief Executive Officer

Date: August 12, 2002

EXHIBIT INDEX

Exhibit	Description	Page
1(a)	Articles of Incorporation of Mitsubishi Tokyo Financial Group, Inc., as amended on June 27, 2002.	
1(b)	Corporation Meetings Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on April 2, 2001.	
1(c)	Board of Directors Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on June 27, 2002.	
1(d)	Share Handling Regulations of Mitsubishi Tokyo Financial Group, Inc., as amended on June 27, 2002.	
2(a)	Form of stock certificates.	
2(b)	Form of American Depositary Receipt.*	
2(c)	Deposit Agreement, dated as of April 2, 2001, among Mitsubishi Tokyo Financial Group, Inc., The Bank of New York and the holders from time to time of American Depositary Receipts issued thereunder.*	
2(d)	Indenture dated as of October 11, 1995 between MBL International Finance (Bermuda) Trust, The Mitsubishi Bank, Limited and The Bank of New York, and First Supplemental Indenture dated as of April 2, 2001 between MBL International Finance (Bermuda) Trust, The Bank of Tokyo-Mitsubishi, Ltd. (as successor to The Mitsubishi Bank, Limited), Mitsubishi Tokyo Financial Group, Inc. and The Bank of New York.	
4(a)	Plan of Reorganization for business combination by and among Bank of Tokyo-Mitsubishi, Mitsubishi Trust Bank and Nippon Trust Bank.	
4(b)	Merger Agreement, dated as of April 8, 2002, among KOKUSAI Securities Co., Ltd., Tokyo-Mitsubishi Securities Co., Ltd., and Tokyo-Mitsubishi Personal Securities Co., Ltd.	
8	Subsidiaries of the Company—see “Item 4.C. Organizational Structure.”	
10(a)	Certifications pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	

* Incorporated by reference from the Registration Statement on Form F-6 (Reg. # 333-13338) filed on April 2, 2001.

Corporate Directory

(As of June 1, 2002)

Major Overseas Operations

In the following list, BTM operations appear in black and MTBC operations appear in green.

North America	Location	Main Business
New York Branch	New York, U.S.A.	Commercial banking
New York Branch	New York, U.S.A.	Commercial banking
Atlanta Agency	Atlanta, U.S.A.	Commercial banking
Chicago Branch	Chicago, U.S.A.	Commercial banking
(Minnesota Corporate Banking Office)	Minnetonka, U.S.A	Loan production
Portland Branch	Portland, U.S.A.	Commercial banking
Seattle Branch	Seattle, U.S.A.	Commercial banking
San Francisco Branch	San Francisco, U.S.A.	Commercial banking
Los Angeles Branch	Los Angeles, U.S.A	Commercial banking
Houston Agency	Houston, U.S.A.	Commercial banking
(Dallas Corporate Banking Office)	Dallas, U.S.A.	Loan production
Washington, D.C., Representative Office	Washington, D.C., U.S.A.	
UnionBanCal Corporation	San Francisco, U.S.A.	Holding services
Union Bank of California, N.A.	San Francisco, U.S.A.	Commercial banking and trust services
Bank of Tokyo-Mitsubishi Trust Company	New York, U.S.A.	Commercial banking and trust services
Mitsubishi Trust & Banking Corporation (U.S.A.)	New York, U.S.A.	Commercial banking and trust services
Tokyo-Mitsubishi Securities (USA), Inc.	New York, U.S.A.	Securities
BTM Leasing & Finance, Inc.	New York, U.S.A.	Leasing
Spectrum Capital, Ltd.	Greenwich, U.S.A.	Commercial aircraft business
BTM Capital Corporation	Boston, U.S.A.	Leasing
Tokyo-Mitsubishi Futures (USA), Inc.	Chicago, U.S.A.	Futures
Bank of Tokyo-Mitsubishi (Canada)	Toronto, Canada	Commercial banking

Latin America	Location	Main Business
Cayman Branch	Cayman Islands	Commercial banking
Cayman Branch	Cayman Islands	Commercial banking
Panama Branch	Panama	Commercial banking
Santiago Branch	Santiago, Chile	Commercial banking
Buenos Aires Branch	Buenos Aires, Argentina	Commercial banking
Mexico City Representative Office	Mexico City, Mexico	
Caracas Representative Office	Caracas, Venezuela	
Bogotá Representative Office	Bogotá, Colombia	

Corporate Directory

Latin America *(cont.)*	Location	Main Business
Rio de Janeiro Representative Office	Rio de Janeiro, Brazil	
BTM (Curaçao) Holdings N.V.	Curaçao, Netherlands Antilles	Holding and finance services
BTM Finance (Curaçao) N.V.	Curaçao, Netherlands Antilles	Financing
MTBC Finance (Aruba) A.E.C.	Oranjestad, Aruba	Financing
Bank of Tokyo-Mitsubishi (Mexico) S.A.	Mexico City, Mexico	Commercial banking
Banco de Tokyo-Mitsubishi Brasil S/A	São Paulo, Brazil	Commercial banking
BTM Leasing do Brasil S/A Arrendamento Mercantil	São Paulo, Brazil	Leasing
BTM Participaçoes e Empreendimentos S/A	São Paulo, Brazil	Investment

Europe	Location	Main Business
London Branch	London, U.K.	Commercial banking
(Birmingham Sub-Branch)	Birmingham, U.K.	Commercial banking
London Branch	London, U.K.	Commercial banking
Paris Branch	Paris, France	Commercial banking
Brussels Branch	Brussels, Belgium	Commercial banking
Düsseldorf Branch	Düsseldorf, Germany	Commercial banking
(Munich Sub-Branch)	Munich, Germany	Commercial banking
Frankfurt Branch	Frankfurt, Germany	Commercial banking
Frankfurt Representative Office	Frankfurt, Germany	
Hamburg Branch	Hamburg, Germany	Commercial banking
Berlin Representative Office	Berlin, Germany	
Milan Branch	Milan, Italy	Commercial banking
Madrid Branch	Madrid, Spain	Commercial banking
(Barcelona Sub-Branch)	Barcelona, Spain	Commercial banking
Lisbon Office	Lisbon, Portugal	Loan production
Moscow Representative Office	Moscow, Russia	
Tokyo-Mitsubishi International plc	London, U.K.	Capital markets and derivative products
Mitsubishi Trust International Limited	London, U.K.	Securities and investment advisory
Tokyo-Mitsubishi Asset Management (UK) Ltd.	London, U.K.	Investment advisory services
Mitsubishi Trust Finance (Ireland) plc	Dublin, Ireland	Financing
Bank of Tokyo-Mitsubishi (Holland) N.V.	Amsterdam, Netherlands	Commercial banking and securities
Bank of Tokyo-Mitsubishi (Polska) Spolka Akcyjna	Warsaw, Poland	Commercial banking
Bank of Tokyo-Mitsubishi (Luxembourg) S.A.	Luxembourg, Luxembourg	Commercial banking and trust services
Bank of Tokyo-Mitsubishi (Switzerland) Ltd.	Zürich, Switzerland	Commercial banking and securities
Bank of Tokyo-Mitsubishi (Deutschland) AG	Frankfurt, Germany	Commercial banking and securities
MTBC Bank Deutschland GmbH	Frankfurt, Germany	Commercial banking and securities

Europe *(cont.)*	Location	Main Business
BTM Lease (Deutschland) GmbH	Düsseldorf, Germany	Leasing
BTM Finanziaria (Italia) S.p.A.	Milan, Italy	Financing
BTM Securities (Spain) S.A. S.V.B.	Madrid, Spain	Securities
Mitsubishi Tokyo Wealth Management (Switzerland), Ltd. (Established July 16, 2002)	Geneva, Switzerland	Private Banking

Middle East and Africa	Location	Main Business
Bahrain Branch	Manama, Bahrain	Commercial banking
Istanbul Representative Office	Istanbul, Turkey	
Cairo Representative Office	Cairo, Egypt	
Tehran Representative Office	Tehran, Iran	
Abu Dhabi Representative Office	Abu Dhabi, U.A.E.	
Johannesburg Representative Office	Johannesburg, South Africa	

Asia and Oceania	Location	Main Business
Karachi Branch	Karachi, Pakistan	Commercial banking
Mumbai Branch (formerly Bombay Branch)	Mumbai, India	Commercial banking
New Delhi Branch	New Delhi, India	Commercial banking
Calcutta Branch	Calcutta, India	Commercial banking
Chennai Branch	Chennai, India	Commercial banking
Dhaka Representative Office	Dhaka, Bangladesh	
Yangon Representative Office	Yangon, Myanmar	
Bangkok Branch	Bangkok, Thailand	Commercial banking
PIBF Chon Buri Branch	Chon Buri, Thailand	Commercial banking
PIBF Chiang Mai Branch	Chiang Mai, Thailand	Commercial banking
PIBF Ayutthaya Branch	Ayutthaya, Thailand	Commercial banking
Labuan Branch	Labuan, Malaysia	Offshore lending
(Kuala Lumpur Marketing Office)	Kuala Lumpur, Malaysia	Offshore lending
Singapore Branch	Singapore	Commercial banking
(Jurong Sub-Branch)	Singapore	Deposit taking
Singapore Branch	Singapore	Commercial banking
Jakarta Branch	Jakarta, Indonesia	Commercial banking
(Surabaya Sub-Branch)	Surabaya, Indonesia	Commercial banking
(Bandung Sub-Branch)	Bandung, Indonesia	Commercial banking
(Bekasi Service Point)	Bekasi, Indonesia	Deposit taking

Corporate Directory

Asia and Oceania *(cont.)*	Location	Main Business
Manila Branch	Manila, Philippines	Commercial banking
Ho Chi Minh City Branch	Ho Chi Minh City, Vietnam	Commercial banking
Hanoi Branch	Hanoi, Vietnam	Commercial banking
Beijing Branch	Beijing, PRC	Commercial banking
Beijing Representative Office	Beijing, PRC	
Tianjin Branch	Tianjin, PRC	Commercial banking
Shanghai Branch	Shanghai, PRC	Commercial banking
Shanghai Representative Office	Shanghai, PRC	
Dalian Branch	Dalian, PRC	Commercial banking
Shenzhen Branch	Shenzhen, PRC	Commercial banking
Guangzhou Representative Office	Guangzhou, PRC	
Chengdu Representative Office	Chengdu, PRC	
Wuxi Representative Office	Wuxi, PRC	
Hong Kong Branch	Hong Kong, PRC	Commercial banking
Hong Kong Branch	Hong Kong, PRC	Commercial banking
Kowloon Branch	Hong Kong, PRC	Commercial banking
(East Tsim Sha Tsui Sub-Branch)	Hong Kong, PRC	Deposit taking
Taipei Branch	Taipei, Taiwan	Commercial banking
Seoul Branch	Seoul, Korea	Commercial banking
Busan Branch	Busan, Korea	Commercial banking
BTM Finance and Securities (Thailand) Ltd.	Bangkok, Thailand	Financing and securities
BTM Holding (Thailand) Co., Ltd.	Bangkok, Thailand	Investment
Bank of Tokyo-Mitsubishi (Malaysia) Berhad	Kuala Lumpur, Malaysia	Commercial banking
Tokyo-Mitsubishi International (Singapore) Ltd.	Singapore	Investment banking
Tokyo-Mitsubishi International (HK) Ltd.	Hong Kong, PRC	Investment banking
Kincheng-Tokyo Finance Company Limited	Hong Kong, PRC	Financing
BTM Nominees (HK) Ltd.	Hong Kong, PRC	Nominee services
Nanjing International Leasing Co., Ltd.	Nanjing, PRC	Leasing
Bank of Tokyo-Mitsubishi (Australia) Ltd.	Sydney, Australia	Commercial banking

MTFG's global network also includes 350 branches, offices, and agencies in Japan.

Shareholders' Information

(As of March 31, 2002)

Mitsubishi Tokyo Financial Group, Inc.

Head Office*

10-1, Yurakucho 1-chome
Chiyoda-ku, Tokyo 100-0006, Japan
Tel: 81-3-3240-8111
Fax: 81-3-3240-8203
http://www.mtfg.co.jp

Date of Establishment

April 2, 2001

Shares Outstanding

5,742,467.72 ordinary shares
81,400 Class 1 preferred shares
100,000 Class 2 preferred shares

Stock Exchange Listings

Tokyo
Osaka
New York (ticker MTF)
London

General Meeting of Shareholders

Ordinary general meetings of MTFG shareholders are held in Tokyo within three months of the end of MTFG's fiscal year.

The Bank of Tokyo-Mitsubishi, Ltd.

7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8388, Japan
Tel: 81-3-3240-1111
http://www.btm.co.jp

The Mitsubishi Trust and Banking Corporation

11-1, Nagatacho 2-chome
Chiyoda-ku, Tokyo 100-8212, Japan
Tel: 81-3-3212-1211
http://www.mitsubishi-trust.co.jp

**On September 17, 2002, the MTFG head office will be changed to 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6326, Japan. Telephone and facsimile numbers for the office will remain unchanged.*