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For Immediate Release

Morgan Stanley

Morgan Stanley Earnings Per Share Up 35%;
First Quarter Net Income $1.2 Billion;
Return on Equity 19%

NEW YORK, March 18, 2004 -- Morgan Stanley (NYSE: MWD) today reported net income of $1,226 million for the quarter ended February 29, 2004 -- an increase of 35 percent from the first quarter of 2003 and 21 percent from the fourth quarter of 2003. Diluted earnings per share were $1.11 -- compared with $0.82 a year ago and $0.92 in the fourth quarter.

First quarter net revenues (total revenues less interest expense and the provision for loan losses) were $6.2 billion -- 14 percent ahead of first quarter 2003 and 23 percent ahead of fourth quarter 2003.

"We had an excellent first quarter with a return on equity of 19 percent, driven by record revenues in a number of businesses and impressive market share gains in investment banking" said Philip J. Purcell, Chairman and Chief Executive Officer. "Our sales and trading businesses continue to perform very well, retail securities and investment management posted strong results and Discover Card had a record quarter."

INSTITUTIONAL SECURITIES

Institutional Securities reported pretax income[1] of $1,186 million, a 26 percent increase over last year's first quarter. Net revenues reached their highest level since the second quarter of 2000, driven by the Company's fixed income business and an improved environment for equity underwriting and trading.

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[1] Represents income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption.

- Fixed income sales and trading net revenues increased slightly from last year's first quarter to a record $1.7 billion. Revenues were higher in both credit products and interest rate and currency products. Credit products benefited from increased securitization flows in commercial and residential whole loans, strong customer volumes and tightening credit spreads. Interest rate and currency products benefited from favorable trading conditions in foreign exchange, tax-exempts and emerging markets debt. Commodities also had a solid quarter, reflecting volatile oil markets.
- Equity sales and trading net revenues were $1.1 billion, a 13 percent increase from a year ago and the highest total since the second quarter of 2001. The increase was driven by higher revenues in the Company's global cash business, resulting from higher market volume and a strong primary calendar. Higher revenues in the Company's Prime Brokerage business also contributed to the increase.
- Advisory revenues were $232 million, up 40 percent from first quarter 2003, even though industry-wide completed M&A transaction volume fell 13 percent over the same period.[2]
- Total underwriting revenues rose 51 percent from last year's first quarter to $507 million. Equity underwriting revenues increased nearly 150 percent, reflecting a surge in industry-wide equity new issuance activity from a weak first quarter 2003. Fixed income underwriting revenues declined 7 percent from a year ago, reflecting a modest decline in industry-wide activity from high levels the previous year.[2]
- For the calendar year-to-date, the Company ranked second in announced global M&A with a 45 percent market share; first in worldwide equity and equity-related issuances with a 14 percent market share; first in worldwide IPOs with a 29 percent market share; and fourth in global debt issuances with a 7 percent market share.[3]

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[2] Source: Thomson Financial -- for the periods: December 1, 2002 to February 28, 2003 and December 1, 2003 to February 29, 2004.
[3] Source: Thomson Financial -- for the period January 1, 2004 to February 29, 2004.

INDIVIDUAL INVESTOR GROUP

Individual Investor Group pretax income was $166 million, compared with $61 million in the first quarter of 2003.

- Net revenues increased 23 percent to $1.2 billion, as renewed investor interest in equities drove a 49 percent increase in commissions, and asset management, distribution and administration fees rose 22 percent on higher asset levels.
- Total client assets were $595 billion, an increase of $97 billion from the end of last year's first quarter. Approximately 15 percent of the increase was attributable to net new cash flows. Client assets in fee-based accounts increased 36 percent from a year ago to $143 billion, and the percentage of total client assets in fee-based accounts continued to increase, reaching 24 percent compared with 21 percent a year ago.
- At quarter-end, the number of global financial advisors was 10,832 -- a decrease of 254 for the quarter and 1,224 over the past year.

INVESTMENT MANAGEMENT

Investment Management pretax income increased 70 percent from last year's first quarter to $170 million. Higher revenues, reflecting both an increase in average assets under management and a more favorable asset mix due to improving equity markets, drove the increase.

- The Company's assets under management increased $91 billion, or 23 percent, from a year ago to $495 billion,[4] primarily as a result of market appreciation. Total net fund flows were also positive over the same period.
- Retail assets were $294 billion, $17 billion above the previous quarter and $48 billion higher than last year's first quarter. Institutional assets of $201 billion increased $16 billion over the quarter and were $43 billion above a year ago.
- Among full-service brokerage firms, the Company had the highest number of domestic funds (41) receiving one of Morningstar's two highest ratings.[5] In addition, the percent of the Company's fund assets performing in the top half

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[4] Revenues and expenses associated with certain of these assets are included in the Company's Individual Investor Group and Institutional Securities segments.

[5] Full service brokerage firms include: Merrill Lynch, Citigroup and Prudential. As of February 29, 2004.

of the Lipper rankings for one year was 54 percent compared to 60 percent a year ago.[6]

CREDIT SERVICES

Credit Services pretax income rose 26 percent from first quarter 2003 to a record $365 million on a managed loan basis, driven by improved credit quality and favorable financing costs, partially offset by lower merchant and cardmember fees.

- Managed credit card loans of $47.3 billion at quarter end were 9 percent lower than a year ago, mainly due to lower balance transfer volume as the Company decreased its promotional efforts to focus on improving profitability. The interest rate spread widened 99 basis points over the same period, as the cost of funds declined and yields increased.
- Merchant and cardmember fees were $519 million, down 5 percent from last year's first quarter. An increase in cardmember rewards and a decline in cardmember late fees, reflecting lower delinquencies, was partially offset by an increase in merchant discount revenues.
- The credit card net charge-off rate was 6.31 percent, 14 basis points higher than a year ago, but 56 basis points below the fourth quarter. The increase in the net charge-off rate from last year's first quarter was driven by a $4.1 billion decline in average credit card loan balances, which more than offset a decline in net charge-off dollars. The net charge-off rate fell from the fourth quarter as Discover's bankruptcy losses dropped to their lowest level in nearly three years.
- The over-30-day delinquency rate declined 53 basis points to 5.80 percent, and the over-90-day delinquency rate declined 9 basis points to 2.86 percent from the first quarter of 2003. The decline in the over-30-day rate was the fourth consecutive quarterly decline.

[6] As of February 29, 2004.

The Company announced that its Board of Directors declared a $0.25 quarterly dividend per common share. The dividend is payable on April 30, 2004, to common shareholders of record on April 9, 2004.

Total capital at February 29, 2004 was $96.4 billion, including $29.0 billion of common shareholders' equity and junior subordinated debt issued to capital trusts. Book value per common share was $23.75, based on 1.1 billion shares outstanding.

Morgan Stanley is a global financial services firm and a market leader in securities, investment management and credit services. With 590 offices in 27 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.

Access this press release on-line @www.morganstanley.com

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(See Attached Schedules)

This release may contain forward-looking statements. These statements, which reflect management's beliefs and expectations, and are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "Forward-Looking Statements" immediately preceeding Part I, Item 1, "Certain Factors Affecting Results of Operations" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Competition" and "Regulation" in Part I, Item 1 of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2003.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Net revenues					
Institutional Securities	$ 3,504	$ 3,135	$ 2,603	12%	35%
Individual Investor Group	1,211	985	1,153	23%	5%
Investment Management	642	525	595	22%	8%
Credit Services	958	898	811	7%	18%
Intersegment Eliminations	(74)	(69)	(75)	(7%)	1%
Consolidated net revenues	$ 6,241	$ 5,474	$ 5,087	14%	23%
Income before taxes [(1)]					
Institutional Securities	$ 1,186	$ 942	$ 1,062	26%	12%
Individual Investor Group	166	61	153	*	8%
Investment Management	170	100	97	70%	75%
Credit Services	365	290	209	26%	75%
Intersegment Eliminations	29	33	28	(12%)	4%
Consolidated income before taxes	$ 1,916	$ 1,426	$ 1,549	34%	24%
Basic earnings per common share	$ 1.14	$ 0.84	$ 0.94	36%	21%
Diluted earnings per common share	$ 1.11	$ 0.82	$ 0.92	35%	21%
Average common shares outstanding					
Basic	1,078,718,046	1,079,052,442	1,077,914,054		
Diluted	1,106,000,596	1,099,724,140	1,103,285,225		
Period end common shares outstanding	1,097,652,112	1,089,745,941	1,084,696,446		
Return on common equity	19.2%	16.3%	16.9%		

(1) Represents consolidated income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Consolidated Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Investment banking	$ 829	$ 589	$ 707	41%	17%
Principal transactions:					
Trading	2,347	1,556	894	51%	*
Investments	29	(22)	11	*	*
Commissions	901	673	813	34%	11%
Fees:					
Asset mgmt., distribution and administration	1,072	896	973	20%	10%
Merchant and cardmember	337	364	337	(7%)	--
Servicing	572	567	483	1%	18%
Interest and dividends	3,782	3,789	4,729	--	(20%)
Other	123	86	145	43%	(15%)
Total revenues	9,992	8,498	9,092	18%	10%
Interest expense	3,489	2,688	3,693	30%	(6%)
Provision for consumer loan losses	262	336	312	(22%)	(16%)
Net revenues	6,241	5,474	5,087	14%	23%
Compensation and benefits	2,712	2,549	1,782	6%	52%
Occupancy and equipment	200	196	212	2%	(6%)
Brokerage, clearing and exchange fees	224	191	233	17%	(4%)
Information processing and communications	320	315	343	2%	(7%)
Marketing and business development	254	263	256	(3%)	(1%)
Professional services	318	225	368	41%	(14%)
Other	297	309	344	(4%)	(14%)
Total non-interest expenses	4,325	4,048	3,538	7%	22%
Income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption	1,916	1,426	1,549	34%	24%
Losses from unconsolidated investees	93	34	104	*	(11%)
Income tax expense	552	465	386	19%	43%
Div. on pref. sec. subject to mandatory redemption (1)	45	22	45	105%	--
Net income	$ 1,226	$ 905	$ 1,014	35%	21%
Compensation and benefits as a % of net revenues	43%	47%	35%		

(1) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51" ("FIN 46"). In future periods, dividends on junior subordinated debt issued to capital trusts will be included in interest expense.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Institutional Securities Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Investment banking	$ 739	$ 501	$ 616	48%	20%
Principal transactions:					
Trading	2,206	1,402	738	57%	*
Investments	16	(10)	(2)	*	*
Commissions	505	415	469	22%	8%
Asset mgmt., distribution and administration fees	34	23	23	48%	48%
Interest and dividends	3,225	3,194	4,169	1%	(23%)
Other	77	62	91	24%	(15%)
Total revenues	6,802	5,587	6,104	22%	11%
Interest expense	3,298	2,452	3,501	35%	(6%)
Net revenues	3,504	3,135	2,603	12%	35%
Total non-interest expenses	2,318	2,193	1,541	6%	50%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	1,186	942	1,062	26%	12%
Losses from unconsolidated investees	93	34	104	*	(11%)
Div. on pref. sec. subject to mandatory redemption (1)	45	22	45	105%	--
Income before taxes	$ 1,048	$ 886	$ 913	18%	15%
Pre-tax profit margin (2)	33%	29%	39%		

(1) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FIN 46. In future periods, dividends on junior subordinated debt issued to capital trusts will be included in interest expense.

(2) Income before taxes, excluding losses from unconsolidated investees, as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Individual Investor Group Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Investment banking	$ 77	$ 80	$ 80	(4%)	(4%)
Principal transactions:					
Trading	141	154	156	(8%)	(10%)
Investments	4	6	0	(33%)	*
Commissions	417	280	365	49%	14%
Asset mgmt., distribution and administration fees	472	386	432	22%	9%
Interest and dividends	93	89	96	4%	(3%)
Other	40	28	59	43%	(32%)
Total revenues	1,244	1,023	1,188	22%	5%
Interest expense	33	38	35	(13%)	(6%)
Net revenues	1,211	985	1,153	23%	5%
Total non-interest expenses	1,045	924	1,000	13%	5%
Income before taxes	$ 166	$ 61	$ 153	*	8%
Pre-tax profit margin (1)	14%	6%	13%		

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Investment Management Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Investment banking	$ 13	$ 8	$ 11	63%	18%
Principal transactions:					
Investments	9	(18)	13	150%	(31%)
Commissions	8	4	7	100%	14%
Asset mgmt., distribution and administration fees	603	523	556	15%	8%
Interest and dividends	2	2	0	--	*
Other	9	7	9	29%	--
Total revenues	644	526	596	22%	8%
Interest expense	2	1	1	100%	100%
Net revenues	642	525	595	22%	8%
Total non-interest expenses	472	425	498	11%	(5%)
Income before taxes	$ 170	$ 100	$ 97	70%	75%
Pre-tax profit margin (1)	27%	19%	16%		

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Credit Services Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Fees:					
Merchant and cardmember	$ 337	$ 364	$ 337	(7%)	--
Servicing	572	567	483	1%	18%
Other	5	(4)	(5)	*	*
Total non-interest revenues	914	927	815	(1%)	12%
Interest revenue	480	546	487	(12%)	(1%)
Interest expense	174	239	179	(27%)	(3%)
Net interest income	306	307	308	--	(1%)
Provision for consumer loan losses	262	336	312	(22%)	(16%)
Net credit income	44	(29)	(4)	*	*
Net revenues	958	898	811	7%	18%
Total non-interest expenses	593	608	602	(2%)	(1%)
Income before taxes	$ 365	$ 290	$ 209	26%	75%
Pre-tax profit margin (1)	38%	32%	26%		

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Credit Services Income Statement Information
(unaudited, dollars in millions)
(Managed loan basis)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Fees:					
Merchant and cardmember	$ 519	$ 548	$ 512	(5%)	1%
Servicing	0	0	0	--	--
Other	35	53	1	(34%)	*
Total non-interest revenues	554	601	513	(8%)	8%
Interest revenue	1,524	1,580	1,517	(4%)	--
Interest expense	350	441	366	(21%)	(4%)
Net interest income	1,174	1,139	1,151	3%	2%
Provision for consumer loan losses	770	842	853	(9%)	(10%)
Net credit income	404	297	298	36%	36%
Net revenues	958	898	811	7%	18%
Total non-interest expenses	593	608	602	(2%)	(1%)
Income before taxes	$ 365	$ 290	$ 209	26%	75%
Pre-tax profit margin (1)	38%	32%	26%		

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Intersegment Eliminations
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Investment banking	$ 0	$ 0	$ 0	--	--
Principal transactions:					
Trading	0	0	0	--	--
Investments	0	0	0	--	--
Commissions	(29)	(26)	(28)	(12%)	(4%)
Asset mgmt., distribution and administration fees	(37)	(36)	(38)	(3%)	3%
Interest and dividends	(18)	(42)	(23)	57%	22%
Other	(8)	(7)	(9)	(14%)	11%
Total revenues	(92)	(111)	(98)	17%	6%
Interest expense	(18)	(42)	(23)	57%	22%
Net revenues	(74)	(69)	(75)	(7%)	1%
Total non-interest expenses	(103)	(102)	(103)	(1%)	--
Income before taxes	$ 29	$ 33	$ 28	(12%)	4%

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY

Financial Information and Statistical Data

(unaudited)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Total assets (millions)	$ 656,898	$ 559,436	$ 602,843	17%	9%
Adjusted assets (millions) (1)	$ 428,479	$ 361,685	$ 388,595	18%	10%
Period end common shares outstanding (millions)	1,097.7	1,089.7	1,084.7	1%	1%
Book value per common share	$ 23.75	$ 20.62	$ 22.93	15%	4%
Shareholders' equity (millions) (2)	$ 28,961	$ 24,475	$ 27,677	18%	5%
Total capital (millions) (3)	$ 96,359	$ 72,432	$ 82,769	33%	16%
Worldwide employees	50,979	54,493	51,196	(6%)	--
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)					
Primary Market Risk Category ($ millions, pre-tax)					
Interest rate and credit spread	$ 42	$ 42	$ 45		
Equity price	30	24	29		
Foreign exchange rate	11	12	13		
Commodity price	27	29	26		
Aggregate trading VaR	$ 62	$ 52	$ 61		

(1) Adjusted assets exclude certain self-funded assets considered to have minimal market, credit and/or liquidity risk that are generally attributable to matched book and securities lending businesses as measured by aggregate resale agreements and securities borrowed less non-derivative short positions. The Company changed its methodology for calculating the adjusted leverage ratio to reflect those assets that are not subject to material market, credit and/or liquidity risk. See page F-17 for further information.

(2) At February 29, 2004, shareholders' equity includes $2,897 million of junior subordinated debt issued to capital trusts that in prior periods was classified as preferred securities subject to mandatory redemption. This amount was reclassified to long-term debt at February 29, 2004 pursuant to the adoption of FIN 46. See Note 12 to the Consolidated Financial Statements in the Company's Form 10-K for fiscal 2003. At the prior quarter ends, shareholders' equity included preferred securites subject to mandatory redemption. The junior subordinated debt issued to capital trusts at February 29, 2004 and the preferred securities subject to mandatory redemption at the prior quarter ends are collectively referred to hereinafter as junior subordinated debt issued to capital trusts.

(3) Includes common equity, junior subordinated debt issued to capital trusts, capital units and the non-current portion of long-term debt.

(4) 99%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than one time every one hundred trading days in the Company's trading positions if the portfolio were held constant for a one day period. The Company's VaR incorporates substantially all financial instruments generating market risk that are managed by the Company's trading businesses. For a further discussion of the calculation of VaR and the limitations of the Company's VaR methodology, see Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in the Company's Form 10-K for fiscal 2003.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY

Financial Information and Statistical Data

(unaudited)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Institutional Securities					
Advisory revenue (millions)	$ 232	$ 166	$ 225	40%	3%
Underwriting revenue (millions)					
Equity	$ 314	$ 127	$ 178	147%	76%
Fixed income	$ 193	$ 208	$ 213	(7%)	(9%)
Sales and trading net revenue (millions) (1)					
Equity	$ 1,105	$ 977	$ 919	13%	20%
Fixed income	$ 1,651	$ 1,635	$ 977	1%	69%
Mergers and acquisitions announced transactions (2)					
Morgan Stanley global market volume (billions)	$ 172.2	$ 26.8	$ 225.4		
Rank	2	2	2		
Worldwide equity and related issues (2)					
Morgan Stanley global market volume (billions)	$ 11.6	$ 3.8	$ 35.1		
Rank	1	2	3		
Individual Investor Group					
Global financial advisors	10,832	12,056	11,086	(10%)	(2%)
Total client assets (billions)	$ 595	$ 498	$ 565	19%	5%
Fee-based client account assets (billions) (3)	$ 143	$ 105	$ 130	36%	10%
Fee-based assets as a % of client assets	24%	21%	23%		
Domestic retail locations	526	558	532	(6%)	(1%)

(1) Includes principal trading, commissions and net interest revenue.

(2) Source: Thomson Financial. Market volume and rank are on a calendar year to date basis for each reporting period: January 1 to February 29, 2004, January 1 to February 28, 2003 and January 1 to November 30, 2003.

(3) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Assets under management or supervision ($ billions)					
Net flows					
Retail	$ 3.4	$ (0.5)	$ 3.7	*	(8%)
Institutional	1.3	(2.5)	(1.3)	*	*
Net flows excluding money markets	4.7	(3.0)	2.4	*	96%
Money markets	1.4	(0.9)	(2.5)	*	*
Assets under management or supervision by distribution channel					
Retail	$ 294	$ 246	$ 277	20%	6%
Institutional	201	158	185	27%	9%
Total (1)	$ 495	$ 404	$ 462	23%	7%
Assets under management or supervision by asset class					
Equity	$ 231	$ 155	$ 207	49%	12%
Fixed income	124	129	123	(4%)	1%
Money market	65	67	64	(3%)	2%
Other (2)	75	53	68	42%	10%
Total (1)	$ 495	$ 404	$ 462	23%	7%

(1) Revenues and expenses associated with customer assets of $107 billion, $82 billion and $96 billion for fiscal 1Q04, fiscal 1Q03 and fiscal 4Q03, respectively, are included in the Company's Individual Investor Group segment, and $14 billion, $3 billion and $14 billion for fiscal 1Q04, fiscal 1Q03 and fiscal 4Q03, respectively, are included in the Company's Institutional Securities segment.

(2) Includes Alternative Investments.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Credit Services					
Owned credit card loans					
Period end	$ 15,850	$ 20,847	$ 18,930	(24%)	(16%)
Average	$ 17,880	$ 22,305	$ 18,143	(20%)	(1%)
Managed credit card loans (1)					
Period end	$ 47,336	$ 51,811	$ 48,358	(9%)	(2%)
Average	$ 48,667	$ 52,802	$ 48,835	(8%)	--
Interest yield	12.20%	11.78%	12.05%	42 bp	15 bp
Interest spread	9.35%	8.36%	9.05%	99 bp	30 bp
Net charge-off rate	6.31%	6.17%	6.87%	14 bp	(56 bp)
Delinquency rate (over 30 days)	5.80%	6.33%	5.97%	(53 bp)	(17 bp)
Delinquency rate (over 90 days)	2.86%	2.95%	2.82%	(9 bp)	4 bp
Transaction volume (billions)	$ 24.2	$ 26.1	$ 23.0	(7%)	5%
Accounts (millions)	45.9	46.5	46.1	(1%)	--
Active accounts (millions)	20.3	22.3	20.8	(9%)	(2%)
Avg. receivables per avg. active account (actual $)	$ 2,360	$ 2,333	$ 2,319	1%	2%
Securitization gain	$ 19	$ 35	$ (7)	(46%)	*

(1) Includes owned and securitized credit card loans.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY

The following page (F-13) presents more detailed financial information regarding the results of operations for the combined institutional securities, individual investor group and investment management businesses. Morgan Stanley believes that a combined presentation is informative due to certain synergies among these businesses, as well as to facilitate comparisons of the Company's results with those of other companies in the financial services industry that have securities and asset management businesses. Morgan Stanley provides this type of presentation for its credit services activities page (F-14) in order to provide helpful comparison to other credit card issuers.

MORGAN STANLEY
Institutional Securities, Individual Investor Group and Investment Management (1)
Combined Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Investment banking	$ 829	$ 589	$ 707	41%	17%
Principal transactions:					
Trading	2,347	1,556	894	51%	*
Investments	29	(22)	11	*	*
Commissions	901	673	813	34%	11%
Asset mgmt., distribution and administration fees	1,072	896	973	20%	10%
Interest and dividends	3,314	3,282	4,254	1%	(22%)
Other	120	90	152	33%	(21%)
Total revenues	8,612	7,064	7,804	22%	10%
Interest expense	3,327	2,488	3,526	34%	(6%)
Net revenues	5,285	4,576	4,278	15%	24%
Compensation and benefits	2,514	2,336	1,572	8%	60%
Occupancy and equipment	179	176	191	2%	(6%)
Brokerage, clearing and exchange fees	224	191	233	17%	(4%)
Information processing and communications	234	228	242	3%	(3%)
Marketing and business development	111	109	148	2%	(25%)
Professional services	253	174	290	45%	(13%)
Other	219	226	262	(3%)	(16%)
Total non-interest expenses	3,734	3,440	2,938	9%	27%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	1,551	1,136	1,340	37%	16%
Losses from unconsolidated investees	93	34	104	*	(11%)
Div. on pref. sec. subject to mandatory redemption (2)	45	22	45	105%	--
Income before taxes	$ 1,413	$ 1,080	$ 1,191	31%	19%
Compensation and benefits as a % of net revenues	48%	51%	37%		
Non-compensation expenses as a % of net revenues	23%	24%	32%		
Pre-tax profit margin (3)	29%	24%	30%		
Number of employees (4)	37,455	38,867	37,435	(4%)	--

(1) Includes the elimination of intersegment activity.
(2) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FIN 46. In future periods, dividends on junior subordinated debt issued to capital trusts will be included in interest expense.
(3) Income before taxes, excluding losses from unconsolidated investees, as a % of net revenues.
(4) Includes Institutional Securities, Individual Investor Group, Investment Management and Infrastructure/Company areas.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Credit Services Income Statement Information
(unaudited, dollars in millions)
(Managed loan basis)

	Quarter Ended			Percentage Change From:	
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003	Feb 28, 2003	Nov 30, 2003
Fees:					
Merchant and cardmember	$ 519	$ 548	$ 512	(5%)	1%
Servicing	0	0	0	--	--
Other	35	53	1	(34%)	*
Total non-interest revenues	554	601	513	(8%)	8%
Interest revenue	1,524	1,580	1,517	(4%)	--
Interest expense	350	441	366	(21%)	(4%)
Net interest income	1,174	1,139	1,151	3%	2%
Provision for consumer loan losses	770	842	853	(9%)	(10%)
Net credit income	404	297	298	36%	36%
Net revenues	958	898	811	7%	18%
Compensation and benefits	198	213	210	(7%)	(6%)
Occupancy and equipment	21	20	21	5%	--
Information processing and communications	86	87	101	(1%)	(15%)
Marketing and business development	143	154	108	(7%)	32%
Professional services	65	51	78	27%	(17%)
Other	80	83	84	(4%)	(5%)
Total non-interest expenses	593	608	602	(2%)	(1%)
Income before taxes	$ 365	$ 290	$ 209	26%	75%
Compensation and benefits as a % of net revenues	21%	24%	26%		
Non-compensation expenses as a % of net revenues	41%	44%	48%		
Pre-tax profit margin (1)	38%	32%	26%		
Number of employees	13,524	15,626	13,761	(13%)	(2%)

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

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The following pages (F-15 - F-16) present a reconciliation for certain information disclosed on pages F-7, F-12 and F-14.

The data is presented on both a "managed" loan basis and as reported under generally accepted accounting principles ("owned" loan basis). Managed loan data assume that the Company's securitized loan receivables have not been sold and presents the results of securitized loan receivables in the same manner as the Company's owned loans. The Company operates its Credit Services business and analyzes its financial performance on a managed basis. Accordingly, underwriting and servicing standards are comparable for both owned and securitized loans. The Company believes that managed loan information is useful to investors because it provides information regarding the quality of loan origination and credit performance of the entire managed portfolio and allows investors to understand the related credit risks inherent in owned loans and retained interests in securitizations. In addition, investors often request information on a managed basis, which provides a more meaningful comparison to industry competitors.

MORGAN STANLEY
Financial Information and Statistical Data (1)
(unaudited, dollars in millions)

	Quarter Ended Feb 29, 2004						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
Owned	$ 15,850	$ 17,880	10.13%	6.08%	5.81%	5.17%	2.54%
Securitized	31,486	30,787	13.40%	11.20%	6.60%	6.11%	3.01%
Managed	$ 47,336	$ 48,667	12.20%	9.35%	6.31%	5.80%	2.86%

	Quarter Ended Feb 28, 2003						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
Owned	$ 20,847	$ 22,305	9.26%	4.73%	5.55%	5.60%	2.63%
Securitized	30,964	30,497	13.61%	10.96%	6.63%	6.82%	3.17%
Managed	$ 51,811	$ 52,802	11.78%	8.36%	6.17%	6.33%	2.95%

	Quarter Ended Nov 30, 2003						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
Owned	$ 18,930	$ 18,143	10.07%	5.86%	6.56%	5.36%	2.53%
Securitized	29,428	30,692	13.23%	10.88%	7.06%	6.36%	3.01%
Managed	$ 48,358	$ 48,835	12.05%	9.05%	6.87%	5.97%	2.82%

(1) The tables provide a reconciliation of certain managed and owned basis statistical data (period-end and average loan balances, interest yield, interest spread, net charge-off rates, and 30- and 90-day delinquency rates) for the periods indicated.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Reconciliation of Managed Income Statement Data (1)
(unaudited, dollars in millions)

	Quarter Ended		
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003
Merchant and cardmember fees:			
Owned	$ 337	$ 364	$ 337
Securitization adjustment	182	184	175
Managed	$ 519	$ 548	$ 512
Servicing fees:			
Owned	$ 572	$ 567	$ 483
Securitization adjustment	(572)	(567)	(483)
Managed	$ -	$ -	$ -
Other:			
Owned	$ 5	$ (4)	$ (5)
Securitization adjustment	30	57	6
Managed	$ 35	$ 53	$ 1
Interest revenue:			
Owned	$ 480	$ 546	$ 487
Securitization adjustment	1,044	1,034	1,030
Managed	$ 1,524	$ 1,580	$ 1,517
Interest expense:			
Owned	$ 174	$ 239	$ 179
Securitization adjustment	176	202	187
Managed	$ 350	$ 441	$ 366
Provision for consumer loan losses:			
Owned	$ 262	$ 336	$ 312
Securitization adjustment	508	506	541
Managed	$ 770	$ 842	$ 853

(1) The tables provide a reconciliation of certain managed and owned basis income statement data (merchant and cardmember fees, servicing fees, other revenue, interest revenue, interest expense and provision for consumer loan losses) for the periods indicated.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

The following page (F-17) presents a reconciliation of adjusted assets.

Balance sheet leverage ratios are one indicator of capital adequacy when viewed in the context of a company's overall liquidity and capital policies. The Company views the adjusted leverage ratio as a more relevant measure of financial risk when comparing financial services firms and evaluating leverage trends. Adjusted assets exclude certain self-funded assets considered to have minimal market, credit and/or liquidity risk that are generally attributable to matched book and securities lending businesses as measured by aggregate resale agreements and securities borrowed less non-derivative short positions. In addition, the adjusted leverage ratio reflects the deduction from shareholders' equity of the amount of equity used to support goodwill, as the Company does not view this amount of equity as available to support its risk capital needs.

MORGAN STANLEY

Reconciliation of Adjusted Assets
(unaudited, dollars in millions, except ratios)

	Quarter Ended		
	Feb 29, 2004	Feb 28, 2003	Nov 30, 2003
Total assets	$ 656,898	$ 559,436	$ 602,843
Less: Securities purchased under agreements to resell	(76,755)	(59,687)	(78,205)
Securities borrowed	(179,288)	(140,566)	(153,813)
Add: Financial instruments sold, not yet purchased	129,711	100,721	111,448
Less: Derivative contracts sold, not yet purchased	(43,857)	(42,604)	(36,242)
Subtotal	486,709	417,300	446,031
Less: Segregated customer cash and securities balances	(16,935)	(32,961)	(20,705)
Assets recorded under certain provisions of SFAS No. 140 and FIN 46	(39,756)	(21,194)	(35,217)
Goodwill	(1,539)	(1,460)	(1,514)
Adjusted assets	$ 428,479	$ 361,685	$ 388,595
Shareholders' equity	$ 26,064	$ 22,465	$ 24,867
Junior subordinated debt issued to capital trusts (1)	2,897	2,010	2,810
Subtotal	28,961	24,475	27,677
Less: Goodwill	(1,539)	(1,460)	(1,514)
Tangible shareholders' equity	$ 27,422	$ 23,015	$ 26,163
Leverage ratio (2)	24.0x	24.3x	23.0x
Adjusted leverage ratio (3)	15.6x	15.7x	14.9x

(1) The Company views the junior subordinated debt issued to capital trusts as a component of its equity capital base given the inherent characteristics of the securities. These characteristics include the long dated nature (final maturity at issuance of thirty years extendable at the Company's option by a further nineteen years), the Company's ability to defer coupon interest for up to 20 consecutive quarters, and the subordinated nature of the obligations in the capital structure. The Company also receives rating agency equity credit for these securities.

(2) Leverage ratio equals total assets divided by tangible shareholders' equity.

(3) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.