UFJ Holdings, Inc.
The 5th Japanese Financial Service Conference

October 8, 2003
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Management Reform Initiatives

Actions to Improve Profitability

The Goal of The UFJ Group
Management Reform Initiatives
Progress on Group Integration

Integration process almost completed

Integration of Subsidiary Banks

- System integration completed upon the merger (Jan.02)
- Consolidation of overlapping branches & offices completed (in FY02)
- Deposit & Loan operations of UFJ Trust to be integrated into that of UFJ Bank in the second half of FY04

Integration of Group Companies

- Prompt integrations & reorganizations of group companies aiming efficient group management

Securities: UFJ Tsubasa Securities (Integrated in Jun.02)
Asset Management: UFJ Partners Asset Management (Integrated in Apr.01)
- UFJ Asset Management (Integrated in Apr.01)
Credit Card: UFJ Card
- (Integrated in Jan.02, Consolidated to UFJH in Sep.02)
Leasing: Central Leasing, UFJ Business Finance
- (Plan to consolidate leasing divisions in Apr.04)
Establishing Group Management System - Role of Holding Company

Establishing the optimal group management system to provide comprehensive financial services

Role of UFJ Holdings

From “Promoting integration” to “Promoting comprehensive financial Strategy”
- Efficient allocation of resources
- Implementing “group-wide strategies”

Establishing the optimal business portfolio

Maximizing the value of the Group
Management Reform Initiatives
- Accelerated Business Reform Plan

Accelerated Management Reform in response to the new business environment

Harsh environment surrounding financial sector
- Persisting deflation
- Problem Loans
- Concern over financial system stability

Program for Financial Revival (Oct. 02)
- Regain confidence in Financial system
  - Tightening assessment of assets
  - Enhancing capital adequacy
  - Strengthening governance

Accelerated Business Reform Plan (Dec. 02)
- Improvement of financial positions
- Restructuring the group operation
- Promotion of group business strategy
- Strengthening equity capital

Four Pillars

“New” Plan to Revitalize Management (Sep. 03)
Management Reform Initiatives  
- Improvement of Financial Positions

*Improvement of financial positions at the top of management priorities, drastic actions taken to secure sound financial positions*

**Problem loans**  
Addressed large troubled borrowers and small and medium-sized corporations simultaneously

<table>
<thead>
<tr>
<th></th>
<th>Mar. 02</th>
<th>Mar. 03</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem Loan Ratio</td>
<td>12.7%</td>
<td>8.6%</td>
<td>Mar. 04: under 6% Mar. 05: under 4%</td>
</tr>
</tbody>
</table>

**Established Corporate Advisory Group, centralizing corporate rehabilitation functions (UFJ Bank in Jul. 02)**

- **Large Borrowers:** Extended necessary support and monitoring the progress of restructuring plans
- **Small/Medium-sized Corp.:** Promoting corporate revitalization or final disposal utilizing UFJ Strategic Partner

**Reduction of cross shareholdings**  
Expecting to meet regulatory requirement in the 1st half of FY03

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<tr>
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<th>FY2002</th>
<th>Plan for FY2003</th>
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<tr>
<td>Shareholdings sold</td>
<td>Yen 1.44 tril.</td>
<td>Yen 0.8 tril.</td>
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Management Reform Initiatives
- Promotion of Group Business Strategy

**Maximizing profit by fully exploiting the resources of a comprehensive financial group**

**Setting consolidated business profit target for FY07 at Yen 1,250 bil.**

### Improving profitability of commercial banking
- Aggressively increases loan to retail or medium-sized corporate customers
- Improves corporate loan spread
- Increases non-interest income

### Improving consolidated profitability of the Group
- Reinforces trust business thoroughly
  - All corporate client offices of UFJ Bank are appointed as trust agency of UFJ Trust, which extends services to UFJ Bank’s customers
- Aggressively embarks on credit card and consumer finance businesses
- Expands securities business to UFJ Bank customers
- Fully extends insurance business
- Increases joint branches of group companies
Management Reform Initiatives
- Restructuring the Group Operation

To realize more integration effects,
pursuing further efficient group management

Improving OHR
- Target OHR of 33% in FY06
- Aggressively invests in measures to improve profitability

* OHR = Overhead Ratio (Expenses/Gross operating profit)

* Combined figures of subsidiary banks

Actions to improve group efficiency
- Streamlining of head office functions
- Consolidating/closing branches of group companies
  - Reducing over 100 branches of UFJ Bank, UFJ Trust Bank and UFJ Tsubasa Securities (about 660 in Dec.02) by the end of FY04
  - Reducing the number of branches of subsidiary banks from 406 (Mar.03) to 380 (Mar.06)
- Reducing the number of directors and executive officers
  - from 67 (Jun.02) to about 50 by the end of FY03
- Compensation system linked to each individual’s duties and performance

* OHR = Overhead Ratio (Expenses/Gross operating profit)

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Actions to improve group efficiency

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Consolidating/closing branches of group companies

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Reducing the number of directors and executive officers
- from 67 (Jun.02) to about 50 by the end of FY03
Compensation system linked to each individual’s duties and performance
Capital raised with due respect for shareholders’ value by considering dilution and funding cost

Capital raised in FY02 & 03

Tier I: Preferred securities through SPC Yen 111 bil. (Sep. 02)
Preferred securities allotted to Merrill Lynch Yen 120 bil. (Mar. 03)

Tier II: Domestic subordinated bond Yen 80 bil. (Jun. 03)
Overseas subordinated bond USD 12.5 bil. (Jul. 03)

Regain financial soundness through steady accumulation of earnings
Actions to Improve Profitability
Actions to Improve Profitability

Current Priority

Balance sheet issues i.e. problem loans and cross shareholdings have been largely addressed

Improvement of profitability of core business is the urgent issue

Strategy for Retail Business
Strategy for Corporate Business
Aiming to be the ‘First choice’ by customers with improved convenience, providing wide-ranged services as a comprehensive financial group

### Key products
- **Housing Loans**: Reinforces unique delivery channel through housing contractors, expanding activities nationwide
- **Credit Card / Consumer Loans**: Offers a variety of products on a group platform to meet various customers’ need

### Customer segmentation
- **Mass customers** - Categorized according to products, no tailored services offered
  - Increases the number of customers through improved convenience
  - Improves profitability through introducing more profitable products
- **Prime customers** - Tailored services offered with large asset under management or borrowing
  - Grasps customers’ need promptly through consultation by professionals
Retail Business - Housing Loan

Continuing to invest resources aggressively in housing loan business as our core business in retail banking

Plan for new loan in FY03: Yen 1.7 tril.

Accumulating balance through housing contractors
- Strengthens relationship with local contractors through housing loan offices
  - 85% of new loans brought in by housing contractors
  - Offices opened during FY02 starts to contribute (131 Offices)
  - New offices outside of the three metropolitan area
    - Five new offices planned in the second half of FY03

Maintaining certain level of spread
- Secure appropriate return on risks
Retail Business - Credit Card, Consumer Loan

Offering a variety of products on a group wide platform to meet various customers’ need

Bank Card Loan
- Steady growth of UFJ Mobit Cashing
  - Expanding customer base by leveraging on the brand of UFJ Bank

Mobit
- Steady increase of both loan outstanding and guarantee
  - Loan outstanding Yen 123.6 bil. Guarantee Yen 24.8 bil. (Mar.03)
- First net profit marked in FY02
- Targeting higher income bracket than other consumer finance companies, resulting in lower problem loan ratio

UFJ Card
- Promotion over-the-bank-counter successful (Sales to new account openers)
- Coalition on card processing business is under consideration to improve cost competitiveness

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Retail Business - Mass Sector (1)

Expanding the size and enhancing the quality of the customer base through improvement in convenience

- Enhancing approval from customers through improving convenience of customer channels and products of UFJ Bank
- Expanding the customer base dramatically

Customer channel innovation

- ATM: Expanding 24-hour ATM services from 12 to 308 points
- Call Center: Starting 24-hour call center service with human assistance
- ACM: Finishing installment of ACMs in all branches, expanding usher service at the ACM lobby after business hours
- UFJ Plus: Opening new type of branches providing counter service until night and on holidays
- Products Revision
- All One: Revising criteria for VIP services for individual account “All One”
Improving profitability in mass sector

- Sales promotion at account openings
  (Bank card loan and UFJ Card)
- Improving attractiveness of the products
  (Increasing the level of convenience and improving in service)
Business tailored to individual customers according to needs in each life stage

Asset Management
- Utilizing functions of group companies effectively and providing comprehensive financial services
- UFJ Bank
  - Increase the number of salespersons in FY03
  - Reinforcing products lineup (Insurance, Investment trusts, Foreign currency deposit with derivatives, etc.)
- UFJ Trust
  - Trust Advisors 210, Financial Consultants 190 (especially for the needs of inheritance and property management)
  - According to the needs and stage, accommodating customers with appropriate products
- UFJ Tsubasa Securities
  - Strengthening bond sales

Apartment Loan
- UFJ Bank, UFJ Trust
  - Focus on small and prime transactions by fortifying the relations with housing contractors
  - Improved information flow by the collaboration of UFJ Bank and UFJ Trust

Retail Business - Prime Customers

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Corporate Business

Establishing business promotion system well tailored for each customer segments

By gathering various financial functions of the Group, fully satisfying needs of corporate customers

- Establishment of business promotion system for each customer segments
- Effective risk taking in lending business
- Actions to revitalize companies
- Providing comprehensive financial functions
Corporate Business - Establishment of Business Promotion System for Each Customer Segment (1)

- **Pursuing best possible business relation in each segment**
  - **Large Scale or Listed Companies**
    - From asset-oriented main bank relationship to function-based relationship
    - 6,100 firms with Yen 5.7 tril. loans in FY07
  - **Medium-sized Companies**
    - Strengthening customer base considerably by stable supply of funds and provision of sophisticated financial function
    - 34,000 firms with Yen 9.5 tril. loans in FY07
  - **Small Companies**
    - Early establishment of enhanced R&D and efficient formation for business promotion
    - 47,000 firms with Yen 0.9 tril. loans in FY07

**Loan balance**: Take further measures to increase loan balance for small and medium-sized companies
- The time required for the loan approval has been shortened through further delegation of decision-making to branch managers
- Reinforcement of activity in offices specialized for new clients and for small sized corporations

**Loan spread**
- Borrowers with lower ratings: secure loan spread reflecting appropriate risk premium
  - Continue negotiations to improve loan spread
- Increase high-spread loans for small corporations and so on

**Non-interest income**
- Providing highly convenient settlement services, reinforcing sales of foreign exchanges and derivatives, and offering investment banking services to medium-sized companies
Deploying branches according to the size of customers with group-wide support for the business promotion

- **Branches for business with large firms**
  - Allocation of personnel who can offer special functions from group companies
    - Relationship manager specialized in investment banking at branches of UFJ Bank

- **Branches for business with medium sized companies**
  - Core relationship managers can focus on business promotion with appropriate support system
  - Fostering of personnel for reinforcement of skills for provision of solution to the customers
  - Strengthening support from Headquarters to increase non-interest income

- **Business Banking Office for small companies**
  - Selling “UFJ Business Loan” (standardized unsecured loan) and settlements-related products

- **Functional departments** (settlements, investment banking, derivatives, etc.) support business proposals to customers by branch staff
- Efficient system is set up where services other than commercial banking (e.g. trust business or securities business) can be offered smoothly
System improved for effective risk taking

Outgrow from collateral based lending

Emphasis on profitability of borrower’s core business
- From collateral based judgment to cash flow based lending (close review of cash flows)

Improvement of credit assessment
- Sophistication of internal credit rating system
- Reinforcing industrial research dept

Introduction and promotion of new products incorporating risk management
- Strengthening risk taking through loans with covenants

Quicker judgment

Delegating authority of credit approval
- Expanding authority of branch managers according to borrowers' credit rating or industrial sector

Standardized criteria of credit approval
- Introducing criteria of credit approval for each industrial sector (mainly applied to SMEs)

Standardized unsecured loan
- Expanding sales of “UFJ Business Loan” for small companies (annual sales: under Yen 1 bil.)
- Introducing new credit approval model, “Basic Mode”, utilizing scoring models for SMEs (annual sales: Yen 1 - 3 billion) in Oct.03
Corporate Business - Turnaround Support

**Taking on rehabilitation and final liquidation by assembling functions in the UFJ Group – Enhancing corporate value and accelerating removal of loans from balance sheet**

- **Grasp current situation**
  - Financial strength
  - Asset/business valuation
  - Industry environment/competitiveness

- **Decide rehabilitation plan**
  - Revival/disposal scenario
  - Selection of specific methods
  - Determine rehabilitation plan

- **Execute rehabilitation plan**
  - Coordinate related partners
  - Execute revival/disposal assets/business

- **Rehabilitation**

- **Liquidation**

- **Final Liquidation**

**UFJ Strategic Partner**
Credit Department of UFJ Bank

**Corporate Advisory Department**
Support to make plans
Introduction of business partners (via branch)

**Nihon Business Support**

**Outside the Group**
- Experts including consultants
- RCC
- IRC, etc.

**Within the Group**
- UFJ Tsubasa Securities
- UFJ Trust, etc.

**Corporate Revitalization Fund**
**Golf Course Revival Fund**
**Real Estate Revitalization Scheme**
**Frontier Servicer**

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Corporate Business - Providing Comprehensive Financial Functions: Global Commercial Banking

Broaden Japanese customer base mainly in Asia, especially in China
- Maximizing profit by providing superb functions through group networks

- Asset held constant, focus on non-lending income by cooperation with functional depts. in Tokyo headquarters
- China Business Promotion Office and foreign banks in equity participation and/or in partnership help building up new customer relationship with companies going overseas

- Improving the network in Asia including China
- From the point of view of regulation and cost, effective use of business partnership and/or equity participation
  - 7 banks in China including Hong Kong, 7 banks in Asia, etc.
Corporate Business - Providing Comprehensive Financial Functions: UFJ Tsubasa Securities

Service provided jointly by UFJ Bank and UFJ Tsubasa Securities to the customer base of the bank

- Providing Comprehensive Financial Functions: UFJ Tsubasa Securities

**UFJ Bank**
- Promote privately placed bonds or syndicated loans to customers with strong relations with UFJ
- Know-how developed in the business with large firms applied to middle market ---privately placed bonds, ABCP, syndicated loans, etc
- Downsizing & standardizing of products, sharing know-how

**Customer Base of UFJ Bank**
- Large Companies
- Small and Medium-sized Companies

**Optimum Allotment of Business Resources**

**UFJ Tsubasa Securities**
- Tailored proposals to customers with strong relations who have needs in sophisticated investment banking products
- Built up know-how eases future approaches to companies outside UFJ group
- Reinforcement of product development and sales force in bond-related business
- Allocation of personnel to particularly focused areas (IPO, M&A, Securitization, etc.)

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Reinforcement of trust related business, fully utilizing customer base and network of UFJ Bank - Corporate agency and real estate business as the core for improving profitability

<table>
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<tr>
<th>Establishing network with UFJ Bank</th>
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<tr>
<td>Fully utilizing customer base of UFJ Bank through establishment of cooperative business promotion system</td>
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<tr>
<td>- Ten times of corporate customer base, six times of the number of branches and offices</td>
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<tr>
<td>- All offices for corporate customer of UFJ bank (199) became trust agency.</td>
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<th>Corporate Agency</th>
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<tbody>
<tr>
<td>Secure No.1 position in no. of corporate clients and promoting takeover from other agencies</td>
</tr>
<tr>
<td>- Increasing no. of clients taken over from others and new products and services</td>
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<th>Real Estate</th>
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<tr>
<td>Resources to be allocated intensively</td>
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<tr>
<td>- Expanding market size mainly due to introduction of impairment accounting</td>
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<tr>
<td>- Increase over 200 staffs to 500 in three years</td>
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<tr>
<td>- Gathering real estate information of whole group, the number of real estate brokerage arrangements increased</td>
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<th>Asset Securitization</th>
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<td>No.1 in the amount of new entrustment in FY02</td>
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<tr>
<td>- Securitization market has been growing due to introduction of market value accounting and increase in needs for balance sheet restructuring</td>
</tr>
<tr>
<td>- Increase work forces for developing products through mid-career recruiting</td>
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The Goal of The UFJ Group

Aiming to become an "innovative financial group, which provides comprehensive financial services mainly to the retail and SME customer base", and maximizing profit as a group

Comprehensive Financial Services of the UFJ Group

- Risk Control (Derivatives, etc.)
- Support for Business Expansion (M&A, Overseas, etc.)
- Direct Financing
- Indirect Financing
- Market Oriented Indirect Financing
- Balance Sheet Management (Asset Securitization etc)
- Settlement
- Pension
- Real Estate
- Card Loan
- Credit Card
- Factoring
- Leasing
- Low Cost Administration
- Fund Management
- Foreign Exchange
- Corporate Agency Service

Group Customer Base spreading over three metropolitan areas

UFJ Bank

UFJ Tsubasa Securities

UFJ Partners Asset Management

UFJ Asset Management

UFJ Card

UFJ Trust

Leasing Companies

Maximizing profit as a group

SMEs

Individuals