Mitsubishi UFJ Financial Group
One year since merger:
Achievements and key future issues

September 2006

Quality for You
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In addition, information on companies and other entities outside the group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by the group and cannot be guaranteed.

The financial information used in this document was prepared in accordance with accounting standards generally accepted in Japan, or Japanese GAAP.
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#### MUFG: Group targets and future issues
- Summary of future issues
  - Financial targets (announced Feb 2006)
- Strengthen profitability (1)
  - Change in business portfolio
- Strengthen profitability (2)
  - Change in business portfolio
- Develop a balanced capital strategy
- Further promote smooth integration
- Activities to improve customer satisfaction (CS) and CSR management

### One year since merger: Key Achievements
- Summary of key achievements
- Achieved smooth integration (Day 1)
- Created the MUFG brand
- Established Integrated Business Group system and implementing growth strategies
- Mitsubishi UFJ Securities to be wholly-owned subsidiary of MUFG
- Established management control framework
- Public funds fully repaid
- Further improved financial health
The Creation of MUFG
Changes in operating environment (1) - Domestic macroeconomic trends

- Excess debt has been significantly reduced, labor and capacity excesses are also being rapidly reduced.

**Interest bearing debt/ nominal GDP**

Interest-bearing debt has declined to pre-bubble levels.

**BOJ Tankan Diffusion Index:**

Excessive/ Insufficient Production & Sales Facilities, Employment

Employed personnel DI indicating shortage of workforce.

- * Interest bearing debt = Borrowings + Corporate bonds

- Source: Bank of Japan
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 1998</td>
<td>Lifting of ban on sales of investment trusts by banks</td>
</tr>
<tr>
<td>Apr 2001</td>
<td>Partial lifting of ban on over-the-counter sale of insurance products by banks (fire insurance related to mortgage loans)</td>
</tr>
<tr>
<td>Feb 2002</td>
<td>Banks allowed into trust banking business</td>
</tr>
<tr>
<td>Apr 2002</td>
<td>Abolished approval requirement for bank branch opening</td>
</tr>
<tr>
<td>Oct 2002</td>
<td>Additional partial lifting of ban on over-the-counter sale of insurance products by banks (individual insurance annuities)</td>
</tr>
<tr>
<td>Apr 2004</td>
<td>Banks allowed into the “revolving” or “aggregate” method credit card business</td>
</tr>
<tr>
<td>Dec 2004</td>
<td>Banks allowed into the securities intermediation business</td>
</tr>
<tr>
<td></td>
<td>Japanese FSA announced ‘Program for Further Financial Reform’</td>
</tr>
<tr>
<td>Oct 2005</td>
<td>Bill for privatization of Japan Post passed</td>
</tr>
<tr>
<td>Dec 2005</td>
<td>Further lifting of ban on over-the-counter sales of insurance products by banks (single payment whole life insurance, accumulated accident insurances)</td>
</tr>
<tr>
<td>Apr 2006</td>
<td>Deregulation of bank agency business</td>
</tr>
<tr>
<td>Jun 2006</td>
<td>Financial Instruments and Exchange Law promulgated</td>
</tr>
</tbody>
</table>

In the future, the ban on over-the-counter sales of insurance products is expected to be completely lifted.
Changes in operating environment (3) - From savings to investments

- Asset management needs have increased due to individuals’ growing appetite for risk embedded financial products and the retirement of the baby-boomer generation.

Change in individuals’ risk asset ratio

Population profile (as of Oct 1, 2004)

Note: Risk assets = equities + foreign currency deposits + foreign securities investments + investment trusts
Data: Created by the BTMU Economic Research Dept. from ‘Flow of Funds Accounts Statistics’, published by Bank of Japan

Source: Ministry of Internal Affairs and Communication
Changes in operating environment (4) - Trends of foreign financial institutions

- Shift towards megabanks and comprehensive financial institutions

**Citicorp**
- Travelers (insurance)
- Associates (consumer finance)
- BankAmerica
- Nations
- Fleet
- Bank of Boston
- MBNA (consumer finance)
- HSBC
- Household (consumer finance)
- Chase
- Morgan Guarantee
- Bank One
- First Chicago

**Citigroup**
- Market capitalization ¥28.0 trillion
- No. 1

**Bank of America**
- Market capitalization ¥24.8 trillion
- No. 2

**HSBC**
- Market capitalization ¥22.3 trillion
- No. 3

**JP Morgan Chase**
- Market capitalization ¥17.0 trillion
- No. 6

*Rank and market capitalization are as of the end of March 2006
Source: Datastream*
Amidst changes in the business environment, we have selected integration as the optimal growth strategy.

- Increased business opportunities through increased product range
- Progress of deregulation
- Upswing in domestic macro-economy
- Elimination of the three macroeconomic excesses
- Increase in individuals’ asset management needs
- Changing customer needs
- Accelerate decisive, proactive management
- Creation of megabanks
- Formation of comprehensive financial groups
- Merger and consolidation of foreign financial institutions

A premier, comprehensive, global financial group

MTFG + UFJ
Shift of business strategy (2)  
- Creating a premier, comprehensive, global financial group

- Creation of MUFG that aims to be a premier, comprehensive, global financial group both in quality and volume

**Mitsubishi UFJ Financial Group (MUFG)**

### Strong customer base
- Approx. 40 million retail accounts
- Approx. 400,000 domestic corporate customers

### Broad global network
- 895 domestic retail branches*1
- 398 domestic corporate branches*1
- 436 overseas offices*1

### Comprehensive Group strengths
- Core of banking, trust and securities + UNBC, investment trusts, credit cards, consumer finance, etc.

### Healthy financial base
- Repaid all public funds
- Tier 1 ratio = 6.74%*2
- NPL ratio less than 2%*2

### Solid governance and trusted management
- Governance system appropriate for NYSE listed company

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**Strengths of MUFG**

- Branch network in Tokyo metropolitan area and overseas
- Business with large companies and overseas business
- Business with high net worth individuals
- Healthy financial base
- Only Japanese bank listed in New York

**Strengths of UFJ**

- Chubu and Kansai regional network
- Business with SMEs
- Business with mass retail clients

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*1 As of the end of March 2006  
*2 As of the end of June 2006
Creation of MUFG

Main subsidiaries of Mitsubishi UFJ Financial Group

(Mitsubishi UFJ Financial Group (MUFG))

- **Bank of Tokyo-Mitsubishi UFJ**
  - (Total assets*1 ¥160.7 trillion)
  - Total assets: No. 1 in Japan

- **Mitsubishi UFJ Trust and Banking**
  - (Total trust assets*1,2 ¥101.1 trillion)
  - Trust assets: No. 1*3 in Japan

- **Mitsubishi UFJ Securities**
  - (Assets in custody*5 ¥23.7 trillion)
  - Customers assets: No. 4 in Japan*5

*1 Consolidated results as of end March 31, 2006
*2 Sum of assigned assets and shared Co-Trusteeship assets.
*3 Excluding trust banks that specialize in asset administration
*4 Signed basic agreement to become a 100% owned subsidiary of MUFG at the end of March 2007
*5 Non-consolidated figure as of end March 31, 2006

Other major group companies

- Credit cards
- Consumer finance
- UFJ Nicos/ DC Card
- ACOM/ Mobit/ DC Cash One
- Leasing
- Overseas
- Diamond Lease/ UFJ Central Leasing/ Japan Business Leasing
- UnionBanCal
One year since merger:

Key achievements
Summary of key achievements one year after merger

- Achieved smooth integration (completion of Day 1)
- Created the MUFG brand
- Established Integrated Business Group system and implementing growth strategies
- Established management control framework
- Public funds fully repaid and further improved financial health
### Achieved smooth integration (Day 1)

- **Successful completion of integration by each company**
  —including holding company, commercial bank, trust bank and securities company

<table>
<thead>
<tr>
<th>Location</th>
<th>Details</th>
</tr>
</thead>
</table>
| **Japan** | - Day 1 systems integration was completed without problems
- Extended our network through integration and greatly increased convenience for customers (over 90% of retail transactions are available at all branches, regardless of former affiliation)
- Mainly in the Tokyo metropolitan area, branches located near each other have been combined and the ‘branch within a branch’ system has been launched |
| **Overseas** | - Completed integration of branches and systems |
| **Affiliates** | - Created companies with a leading presence in their respective business categories such as Mitsubishi UFJ Asset Management and UFJ Nicos, and others |
Created the MUFG brand

- Developed group brand strategies aiming to establish a valuable brand
- Actively implementing a common logo and Group message - ‘Quality for You’

**Quality for You**

Message: ‘Through providing high quality services, we aim to help enhance the quality of our customers’ lifestyles and businesses, and also contribute to local community and society’

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**MUFG PLAZA**

**Disclosures**

**Ads in newspaper**
Established Integrated Business Group system and implementing growth strategies

- Utilize Integrated Business Group system to develop groupwide business strategies
- Implementing strategic alliances and investments to strengthen profitability

Oct 2005:
- UFJ Nicos became a consolidated subsidiary

Nov 2005:
- Comprehensive alliance with The Norinchukin Bank in retail business

Apr 2006:
- Agreed to establish mobile net bank with KDDI

May 2006:
- Investment in and alliance with US investment banking boutique
- Established Mitsubishi UFJ Merrill Lynch PB Securities
- Established joint net settlement service company with DeNA

Aug 2006:
- Business alliance with Bank of China
Mitsubishi UFJ Securities to be wholly-owned subsidiary of MUFG

- Enhancing Integrated Business Group system and conducting our business as a unified comprehensive financial group
- Further strengthening securities business by making full use of our group resources. Aim to realize synergies further between commercial bank, trust bank and securities company

<table>
<thead>
<tr>
<th>Scheme of transaction</th>
<th>Schedule of share exchange</th>
<th>Share exchange ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share exchange (Planned)</td>
<td>• Aug 29, 2006</td>
<td>• Late-Feb, 2007 (Planned)</td>
</tr>
<tr>
<td>Signing of basic agreement</td>
<td>• Mid-Nov, 2006 (Planned)</td>
<td>• Extraordinary general shareholders’meeting to approve share exchange agreement (Mitsubishi UFJ Securities*1)</td>
</tr>
<tr>
<td>Board meeting to approve share exchange agreement</td>
<td>• Signing of share exchange agreement</td>
<td>• Mar 31, 2007 (Planned)</td>
</tr>
<tr>
<td>Effective date of share exchange</td>
<td></td>
<td>• Effective date of share exchange</td>
</tr>
</tbody>
</table>

The parties will comprehensively consider numerous factors, including the results of the analyses provided by their respective financial advisors, and discuss and decide the share exchange ratio

*1 MUFG will conduct this share exchange transaction without obtaining shareholder approval at its general shareholders’meeting, since this share exchange transaction is deemed a “simple share exchange” under Article 796-3 of the Company Law of Japan.
Established management control framework

- Established management control framework utilizing BSC and ISO
- Created unified personnel systems and fostering a new Group culture

Reflected the ISO customer and workplace feedback and improvement process in specific BSC strategies and measures

By monitoring status of achievement of each BSC success indicator, implement higher quality management
Public funds fully repaid

- Public funds have been fully repaid and capital strengthened

Public fund preferred shares

Tier 1 ratio

Full repayment of public funds on June 9
Further improved financial health

- Asset quality steadily improved with disclosed NPL ratio fallen to less than 2%

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**FRL disclosed loans**

![Graph showing FRL disclosed NPL ratio from End Sep 04 to End June 06, with NPL ratios falling from 6.16% to 1.88%.]

*1 Sum of non-consolidated figures of BTMU and MUTB for End Mar 06 and End June 06 (not including separate subsidiaries)

*2 Sum of non-consolidated figures of BTM, UFJ Bank, MUTB and UFJ Trust on or before End Sep 05 (including separate subsidiaries)
MUFG
Group targets and future issues
Summary of future issues

- Strengthen profitability (achieve financial targets)
- Implement a balanced capital strategy
- Further promote smooth integration (complete Day 2)
- Improve customer satisfaction and strengthen CSR management
Strengthen profitability (1) – Financial targets (announced Feb 2006)

Feb 2006, we announced that we expect to fully realize most integration benefits and target consolidated net operating profit of approx. ¥2.5 trillion and consolidated net income of approx. ¥1.1 trillion in fiscal 2009.

<table>
<thead>
<tr>
<th>(Consolidated)</th>
<th>FY 05 Results*¹</th>
<th>FY 08 Targets *²</th>
<th>FY 09 Targets *²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profit</td>
<td>1,751.5</td>
<td>Approx. 2,400.0</td>
<td>Approx. 2,500.0</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>53%</td>
<td>Approx 45%</td>
<td>40 - 45%</td>
</tr>
<tr>
<td>Net income</td>
<td>1,181.7</td>
<td>Approx. 1,000.0</td>
<td>Approx. 1,100.0</td>
</tr>
<tr>
<td>ROE</td>
<td>-</td>
<td>Approx. 15%</td>
<td>Approx. 15%</td>
</tr>
</tbody>
</table>

*¹ Net operating profit, expense ratio and net income include FY 2005 (April to September) results of the former UFJ Holdings.

*² These target figures were formed and announced in Feb 2006, and have not been revised.

Macro-economic assumptions *³

<table>
<thead>
<tr>
<th></th>
<th>FY 06</th>
<th>FY 07</th>
<th>FY 08</th>
<th>FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>3MTibor (period average)</td>
<td>0.24%</td>
<td>0.37%</td>
<td>0.46%</td>
<td>0.48%</td>
</tr>
<tr>
<td>10 year JGB yield (period average)</td>
<td>1.89%</td>
<td>1.94%</td>
<td>2.07%</td>
<td>2.13%</td>
</tr>
<tr>
<td>US$/ Yen rate (end of period)</td>
<td>¥105</td>
<td>¥105</td>
<td>¥105</td>
<td>¥105</td>
</tr>
<tr>
<td>Japan’s real GDP growth (annual rate)</td>
<td>1.59%</td>
<td>1.49%</td>
<td>1.81%</td>
<td>2.14%</td>
</tr>
</tbody>
</table>

*³ These assumptions were formulated in Feb 2006, and have not been revised.
Strengthen profitability (2) - Change in business portfolio

- Aim to grow profits in the three customer businesses, mainly Retail
- Build an optimal business portfolio for sustainable growth

Change in business portfolio (Net operating profit)

- Retail: 22%
- Corporate (domestic): 51%
- Global Markets, others: 11%
- Trust Assets: 2%
- Corporate (overseas) + UNBC: 14%
- FY05 results: ¥1.75 trillion

Direction of strategy/revenue drivers

Interest revenue
- Improve spreads by shifting portfolio to Retail and SMEs

Non-interest revenue
- Increase non-interest income by active expansion of ‘solutions’ business

Revenue drivers
- Retail: Consumer finance, Housing loans, Investment product sales, Securities intermediation, Testamentary trusts, Real estate
- Corporate: SME business, Overseas (Asia) business, Investment banking business, Settlement business, Securities/real estate
- Trust Assets: Pensions, Investment trust mgt & administration, Custody/Trust assets administration

*1 This target was announced in Feb 2006
Develop a balanced capital strategy

- Aim to maximize corporate value through an optimal capital policy, maintaining a balance between enhancing returns to shareholders, increasing equity capital and strategic investments.

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Enhance returns to shareholders

Increase equity capital

Corporate value of MUFG

Strategic investments for sustainable growth
```
Further promote smooth integration

Early realization of synergy benefits
- Promote branch integration via the branch-within-branch system (aim to reduce around 80 branches during FY06)
- Reduce/relocate overlapping personnel, in particular back office personnel at headquarters
- Progress Day 2 integration as scheduled

Strengthen management to maintain soundness and growth characteristics as a very large financial group
- Meeting SOX Article 404: Enhance internal controls over financial reporting
- Meeting Basel II: Detailed risk measurement, Advanced risk management
  Plan to adopt FIRB method for credit risk, and TSA method for operational risk (from March 31, 2007)

Diagram displaying branch integration/ closure targets

Strengthening staff numbers
- Commercial bank (left axis)
- Trust bank (right axis)

Note: Branch numbers are the sum of commercial and trust bank numbers.
Activities to improve customer satisfaction (CS) and CSR management

- Business management that takes into consideration a broad range of stakeholders, including shareholders, customers, society and employees

- As part of CS improvements, return integration benefits to customers* by abolishing fees on money transfers between branches and between bank and trust bank* ATM card transactions, direct banking (excluding manned, non-automated transactions)

Management with an awareness of a broad range of stakeholders

- Compliance
- CS
- Security

Customers

Shareholder (investor)

MUFG

Employees

Local Community, Society

Environment

Employee satisfaction

Employee communication

ISO14001

Environment-related loans

CDM*

Reduce environmental burden

SRI: ‘Green Wing’

SRI: ‘Family Friendly’ funds

*Clean Development Mechanism

Achievements in implementing CS improvements and CSR management

- CS improvement activities
  - Received ISO 9001 quality certification for quality of customer service (Aug 2005, former BTM)
  - Offered money transfer service free of charge on transfers between branches and bank/trust bank transfers (May 2006)

- CSR management commitments
  - Signed UN Environment Program financial initiatives (May 2004)
  - Former BTM received ISO14001 qualification (Apr 2005)
  - The MUTB SRI Fund ‘Family Friendly’ was awarded the 2005 Annual Good Design by the Japan Industrial Design Promotion Organization (Oct 2005)
  - Established CSR Committee within the holding company to promote CSR activities across the group (Feb 2006)
  - Formulated the group environmental principles and policy (Mar 2006)
  - MUTB signs UN SRI Principles
  - Undertook environment-related loans (BTMU) Loans executed FY2005 (Oct – Mar) : Approx. ¥25.0 bn with over 20 loans
No. 1 Service
No. 1 Reliability
No. 1 Global Coverage