Creation of New Financial Services

Management Vision

To be an innovative financial group with deep commitments to society, and growing together with customers

Main Management Themes

✧ Bolstering financial condition
✧ Enhancing business competitiveness
✧ Realizing integration effects quickly
## Financial Highlights for FY 2000

### Combined Figures of 3 Banks

<table>
<thead>
<tr>
<th>Financial Item</th>
<th>Amount (Billions of Yen)</th>
<th>Variance (Billions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Operating Profit</td>
<td>1,276.5</td>
<td>+ 47.8</td>
</tr>
<tr>
<td>Business Profit, excluding net transfer to general reserve</td>
<td>621.3</td>
<td>+ 45.5</td>
</tr>
<tr>
<td>Credit Related Expenses</td>
<td>1,170.5</td>
<td>+ 293.5</td>
</tr>
<tr>
<td>Transfer to General Reserve</td>
<td>212.4</td>
<td>+ 202.2</td>
</tr>
<tr>
<td>Recurring Profit</td>
<td>(267.0)</td>
<td>(590.9)</td>
</tr>
<tr>
<td>Net Income</td>
<td>(220.1)</td>
<td>(355.6)</td>
</tr>
</tbody>
</table>

### Consolidated Figures

<table>
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<th>Financial Item</th>
<th>Amount (Billions of Yen)</th>
<th>Variance (Billions of Yen)</th>
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<tr>
<td>Recurring Profit</td>
<td>(270.1)</td>
<td>(647.4)</td>
</tr>
<tr>
<td>Net Income</td>
<td>(211.7)</td>
<td>(378.3)</td>
</tr>
</tbody>
</table>
Problem Loans Outstanding under Financial Revitalization Law (Non-Consolidated) (Bankrupt/Quasi Bankrupt, Doubtful)

Mar. 00

- Bankrupt/Quasi Bankrupt: Yen 564.1 bil.
- Doubtful: Yen 1,432.4 bil.

Mar. 01

- Bankrupt/Quasi Bankrupt: Yen 661.3 bil.
- Doubtful: Yen 1,062.5 bil.

Yen 1,996.5 bil.

(3.3% of total loans outstanding)

Yen 1,724.0 bil.

(2.9% of total loans outstanding)

Amount: Yen (272.5) bil.
Proportion: (0.4) %
Coverage for problem loans under Financial Revitalization Law (Bankrupt/ Quasi Bankrupt, Doubtful)

- **Bankrupt/ Quasi Bankrupt**
  - Mar. 00: 89.7% (100.0%) 10.3%
  - Mar. 01: 84.0% (100.0%) 16.0%

- **Doubtful**
  - Mar. 00: 41.2% 43.0% 4.0% 2% 2%
  - Mar. 01: 43.9% 41.7% 3.3% 2%

**Coverage Ratio**
- (100.0%)
- (100.0%)
- (84.2%)
- (85.5%)

Adequate coverage for each category
Reduction of Uncovered Portion for Doubtful Loans

(Excluding trust accounts with principal indemnified)
Problem Loans - 3

<bolstering financial condition>

General Reserve

<table>
<thead>
<tr>
<th>Month</th>
<th>General Reserve (Billions of Yen)</th>
<th>Reserve Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 00</td>
<td>415.1</td>
<td>0.74%</td>
</tr>
<tr>
<td>Mar. 01</td>
<td>632.8</td>
<td>1.12%</td>
</tr>
</tbody>
</table>

Conservative Policy on Transfer to General Reserve
Securities Portfolio

Sold amount in FY 2000:
Yen 650.0 bil.

Cross-shareholdings within Shareholders’ Equity in around three years
# Targets for FY2001

## Combined Figures of 3 Banks

<table>
<thead>
<tr>
<th>Description</th>
<th>Value (Billions of Yen)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business profit, excluding net transfer to general reserve</td>
<td>670</td>
<td>+ 48.6</td>
</tr>
<tr>
<td>Credit Related Expenses</td>
<td>300</td>
<td>(658.0)</td>
</tr>
<tr>
<td>Recurring profit</td>
<td>400</td>
<td>+ 667.0</td>
</tr>
<tr>
<td>Net income</td>
<td>210</td>
<td>+ 430.1</td>
</tr>
</tbody>
</table>

## Consolidated Figures

- **Recurring profit**: Yen 470 bil.
- **Net income**: Yen 240 bil.

Forecast year-end dividend: Yen 3,500 per ordinary share
Earnings Composition by Business Unit

Consolidated Result for FY 2000

(Billions of Yen)

- Retail Banking
- Corporate Banking
- Global Banking & Trading
- Trust
- Asset Management
- Securities & Investment Banking
- Planning & Administration (including Gains & Losses on Bonds)

Business Profit, excluding net transfer to general reserve
Expenses
Targets for FY 2001 - Main Measures by BU

### Become Strongest Group in Retail Market

#### Loan Business

- **Housing loans**
  - Increase by Yen 400 bil. (FY 2000)
  - Tighten relationship with contractors
  - Accelerate credit review & approval processes

- **Mobit**
  - 42,000 accounts, balance outstanding at Yen 20 bil. (FY 2000)
  - Loan target for FY 2005 of Yen 500 bil.

#### Commission Business

- **Sales of investment trust**
  - Assets outstanding of individuals at Yen 500 bil. (as of March 2001)
  - Focus on equity trust with high margin
  - Commissions at Yen 5.6 bil. (increase of Yen 4.5 bil.)

- **Other commissions**
  - Fund Transfer, ATM related: total increase of Yen 2.3 bil.

#### Card Business

- **Financial One Card**
  - Sharing of customers & cross selling through Gateway Company
  - Started sales at Tokai Bank (FY 2000)
  - Branding: JCB, Visa, MasterCard.
  - Effective membership: 1.8 mil. (as of March 2001)

#### Channel Strategy

- **Introduction of New Branch Operating System**
  - Improve service & Reduce costs

- **Diversification of Channels**
  - In-store branches, joint branches
  - More ATM functions
  - ‘Web’ branch to be established
  - Cooperation with IY Bank

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**Retail Banking BU**

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>Mar. 01</th>
<th>Mar. 02 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business profit excluding net transfer to general reserve</td>
<td></td>
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</tr>
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</table>
Targets for FY 2001 - Main Measures by BU

<Enhancing Business Competitiveness>

Reform in Earnings & Transaction Structure

Corporate Banking BU

Increase non-interest income

Raise non-interest income ratio
- 23% in FY 2000

Strengthen investment banking business
- Syndicated loans, M&As:
  Gross operating profit for FY2000:
  Increase by Yen 7.8 bil.

Bolster sales of derivatives
- Gross operating profit for FY 2000:
  Increase by Yen 10.2 bil.

Promotion of settlement business
- Introduce competitive products:
  Web banking, net escrow, IHBS
- Gross profit for FY 2000:
  Increase by Yen 2.9 bil.

Trust-related business
- Pursue synergies with Trust BU
- Bolster collaboration with
  pension, real estate & corporate agency business

Improve capital efficiency

Continue to reduce cross-shareholdings
- Sold Yen 530 bil. Shares in FY2001
- Accelerate sales & reduce within shareholders’ equity

Reduce loans to large corporations
- Shrinking needs due to shift to direct financing.
- Improve spreads through reduction of low margin loans

Build new business models

JBP
- Support to small-sized companies for internet

NBL
- Promote vendor leasing with high margin
- Acquire know-how from Nippon Shinpan

(Billions of Yen)

Expenses

Business profit excluding net transfer to general reserve

Mar. 01 Mar. 02 (Target)
Global Banking & Trading

**Stable & efficient earnings structure**

(Billions of Yen)

- Expenses
- Business Profit excluding Net Transfer to General Reserve

Mar. 01 | Mar. 02 (Target)
---|---
0 | 250
50 | 200
100 | 150
150 | 100
200 | 50
250 | 0

Market related business
- Steadily increase earnings from customer-based trading business promotion
- Establish efficient trading system

Overseas commercial banking business
- Strengthen settlement & off-balancing business for Japanese corporations
- Develop trade finance business & bolster risk advisory

Trust BU

**Create synergies with commercial bank**

(Billions of Yen)

- Expenses
- Business Profit excluding Net Transfer to General Reserve

Mar. 01 | Mar. 02 (Target)
---|---
0 | 100
25 | 75
50 | 50
75 | 25
100 | 0

Trust related business for corporations
- Provide trust related services to commercial bank clients
- Bolster real estate business (brokerage, REITs, securitization)
- Poise for defined contribution pension & new corporate pension schemes

Trust related business for individuals
- Provide services according to ‘stage in life’ of high net worth individuals
Targets for FY 2001 - Main Measures by BU

<Enhancing Business Competitiveness>

Asset Management BU

\textbf{Aim to rank as foremost \textit{comprehensive investment institution in Japan}}

\begin{itemize}
  \item 
  \begin{itemize}
    \item Enhance asset management competitiveness (management performance, qualitative evaluation, cost)
    \item Balance of assets under management: Yen 10.5 trillion (01/03)
  \end{itemize}
\end{itemize}

\textbf{Investment trust business}

\begin{itemize}
  \item Bolster provision of products that respond to customer needs
  \item Balance of investment assets: Yen 3.0 tril. (as of March 2001)
\end{itemize}

Securities & Investment Banking BU

\textbf{Securities subsidiaries to rank among top 5 domestically}

\begin{itemize}
  \item Develop corporate finance business, capitalizing on client base of group
  \item Concentrate at UFJ Capital Markets Securities (July 2001)
\end{itemize}

\textbf{Retail securities business}

\begin{itemize}
  \item TSUBASA Securities: Expand assets base by building channels by customer segment
  \item Established kabu.com Securities (April 2001), number of accounts at 60,000 (rank 5)
\end{itemize}
Features of UFJ Group Integration

 Sinatra predominance of UFJ Group through integration

\[ \text{Speed & Innovativeness} \]

Decision-Making

- Several aggressive measures to bolster financial strength
- Advancing integration

Adaptability

- Realize systems integration first among 4 Mega-bank Groups
- Initiatives for new businesses

Transparency

- Corporate governance structure with high level of transparency

Through speedy & innovative decision-making & adaptability, realize:

integration synergies to the maximum, &
integration risks to the minimum
State of Progress on Integration

✓ **Advanced schedule** for commercial bank merger to January 15, 2002
  - **Establishment of UFJ Bank**
    (merger of Sanwa & Tokai initially scheduled for April 2002)

✓ **Integration of asset management** in Apr. 01
  - Establishment of UFJ Partners Asset Management & UFJ Asset Management

✓ **Integration of IT functions** in Apr. 01
  - UFIT

✧ **Integration of trust functions** in Jul. 01
  - Scheduled merger of Toyo Trust & Tokai Trust

✧ **Merger of wholesale securities** in Jul. 01
  - Scheduled establishment of UFJ Capital Markets Securities

✓ **Credit rating & ‘self assessment’ standard** in Dec. 00
  - Adoption of identical credit rating & ‘self assessment’ standards

✧ **Integration of write-off & reserve policy** in Sep. 01
  - Adoption of unified write-off & reserve policy as from first fiscal half

✧ **Integration of personnel system** in Oct. 01
  - Scheduled to integrate personnel systems of Sanwa & Tokai ahead of merger
State of Progress of Integration

- Integration of Functions

<Realizing Integration Effects Quickly>

UFJ Bank
Scheduled in Jan. 2002

Toyo Trust
Scheduled in Jul. 2001
<Scheduled to change trade name to UFJ Trust Bank (Jan. 2002)>

UFJ Partners Asset Management
Integrated in Apr. 2001

UFJ Asset Management
Integrated in Apr. 2001

UFJ Capital Markets Securities
Scheduled in Jul. 2001

UFIT
Integrated in Apr. 2001
Targeted for Oct. 2002

Sanwa Systems Development
Development & operational management

Central Systems

Toyo Systems Development

Toyo Trust Operation Services

May 28, 2001  UFJ Information Meeting
Systems Integration

❖ Systems integration to be achieved **FIRST** among 4 major financial groups (January 2002)

   □ making **advancement in schedule** possible for merger of commercial banks
   (shift to new system at same time as merger)

❖ Cutting-edge systems **“the key” to enhancing competitiveness**

   ➢ Total integration
     Secure customer convenience by providing common hardware & software
     at all branches right from start of merged commercial bank

   ➢ Data warehouse
     Make high grade marketing possible through utilization of efficient database

   ➢ New branch
     Continue with restructuring, especially in reducing personnel through shift
     back-office function to operation centers

   ➢ “Hub-and-spokes”
     Enhance efficiency in collaboration with companies within & outside group,
     as excel in versatility
Realizing Integration Effects in Advance

Implementation of Restructuring Plan in Advance  <Announced on April 25, 2001>

(~ Additional restructuring to quickly realize integration effects ~)

✧ Consolidation of domestic branches
  Initial target: Reduce to 446 by end March 2004
  Additional target: Reduce by additional **40 branches**, & advance schedule for consolidation completion
  □ By end Sept 2003, reduce to 406 branches

✧ Consolidation of overseas bases
  Initial target: Reduce to 36 by end March 2003 (branches, subsidiaries)
  Additional target: Reduce by additional **4 branches**
  Also, reduce additional **12 representative offices**

✧ Reduction in personnel
  Initial target: Reduce to 22,000 by end March 2005
  Additional target: Reduce by additional **1,200 (approx.)**
  □ By end March 2005, reduce to 20,800

✧ Reduction in number & remuneration of directors
  Reduce number of directors (including executive officers) by approx. **30%**
Additional Restructuring Effects

✧ Integration Effects (cumulative from FY 2001 to FY 2005)

- Restructuring effects
- Synergy effects
- Integration costs

Net Integration Effects
(Billions of Yen)

- Domestic branch consolidation: 8.0
- Overseas base consolidation: 4.0
- Greater space efficiency: 8.0
- Others: 20.0
- Non-personnel cost effects: 40.0

Personnel reduction: 40.0
Director related reduction: 1.5
Personnel cost effects: 41.5

Additional restructuring one-time costs: 10.0
Additional restructuring effects: 71.5

Target up to now 158.0
After additional restructuring 168.0
# Financial Targets

<h2><Financial Targets for Fiscal Year 2005></h2>

<table>
<thead>
<tr>
<th></th>
<th>Consolidated:</th>
<th>Aggregated for 3 Banks:</th>
</tr>
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<tbody>
<tr>
<td><strong>Business Profit</strong></td>
<td>Yen 1,000 bil.</td>
<td>Yen 850 bil.</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>Yen 500 bil.</td>
<td>Yen 400 bil.</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>Approx. 12%</td>
<td></td>
</tr>
<tr>
<td><strong>BIS Capital Ratio</strong></td>
<td>Over 10%</td>
<td></td>
</tr>
<tr>
<td><strong>Tier I Ratio</strong></td>
<td>Approx. 7%</td>
<td></td>
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