UFJ Bank Limited (“UFJ Bank”), a wholly owned subsidiary of UFJ Holdings, Inc., will take the following measures to accelerate the resolution of problem loans to enhance the revitalization of troubled medium- to small-sized companies.

1. UFJ Strategic Partner Co., Ltd. (“UFJSP”) will enter into a financial advisory agreement with UFJ Bank to extend its advisory coverage to include substandard borrowers on top of the existing coverage of doubtful, quasi-bankrupt, and bankrupt borrowers.

2. UFJ Bank has reached a basic agreement with US financial group Merrill Lynch (“Merrill Lynch”) to jointly set up an investment fund to purchase loans from various financial institutions with the goal to revitalize troubled companies.

1. Increasing UFJSP coverage

Last year, UFJ Bank established UFJSP jointly with Merrill Lynch to focus on the resolution of problem loans to borrowers classified as doubtful or below.

By expanding UFJSP’s advisory coverage to substandard medium- and small-sized borrowers, UFJ Bank will accelerate its resolution of problem loans through revitalization of borrowers utilizing UFJSP’s expertise. Hereafter, UFJSP will focus on substandard or below medium- and small-sized, corporate borrowers, while UFJ Bank will deal with special-mention or above with an eye to prevent downgrade of the borrowers.

Currently, UFJSP has a JPY120 billion preferred share investment from Merrill Lynch. No further investment, however, is expected as part of the increase in coverage.

2. Establishment of the investment fund with Merrill Lynch

Merrill Lynch and UFJ Bank have reached a basic agreement to jointly establish the “Genesis Fund” to purchase and enhance the value of loans mainly to medium- and small-sized companies.

The fund will mainly target substandard borrowers that have excessive non-core investments or interest bearing debts, but have strong business franchise and whose value can be enhanced through financial as well as other restructuring. The fund will purchase, at fair market value, such corporate loans from UFJ Bank and other financial institutions. The fund will work together with the borrowers to enhance their corporate value, providing additional credit when regarded effective.

Merrill Lynch and UFJ Bank will subscribe for ordinary shares in the fund management company in June. Merrill Lynch and UFJ Bank expect to hold a 95% and 5% stake, respectively, in the fund management company, and the Chief Executive Officer will be seconded from Merrill Lynch. Maximum total investment of JPY100 billion in the form of a silent partnership (tokumei kumiai) investment to the fund is expected, which Merrill Lynch Group and UFJ Group will invest 70% and 30%, respectively. Frontier Servicer, a UFJ Group company, will mainly manage the loans for the Fund.
Outline of the Genesis Fund

Fund Management Company
Name: To be announced
Capital: JPY100 million
Shareholders: Merrill Lynch International Incorporated 95%, UFJ Bank 5%
Directors: CEO seconded from Merrill Lynch
Other Directors and Outside Directors seconded from Merrill Lynch and UFJ Bank

Genesis Fund
Form: Silent Partnership (tokumei kumiai)
Maximum Investment: JPY 100 billion(Merrill Lynch Group 70%, UFJ Group 30%)
Investment target: Substandard borrowers that have excessive non-core investments or interest bearing debts, but have strong business franchise and whose value can be enhanced through financial as well as other restructuring.