
MUFG Consumer Finance Strategy

September 28, 2007

Mitsubishi UFJ Financial Group

Quality for You



MUFG

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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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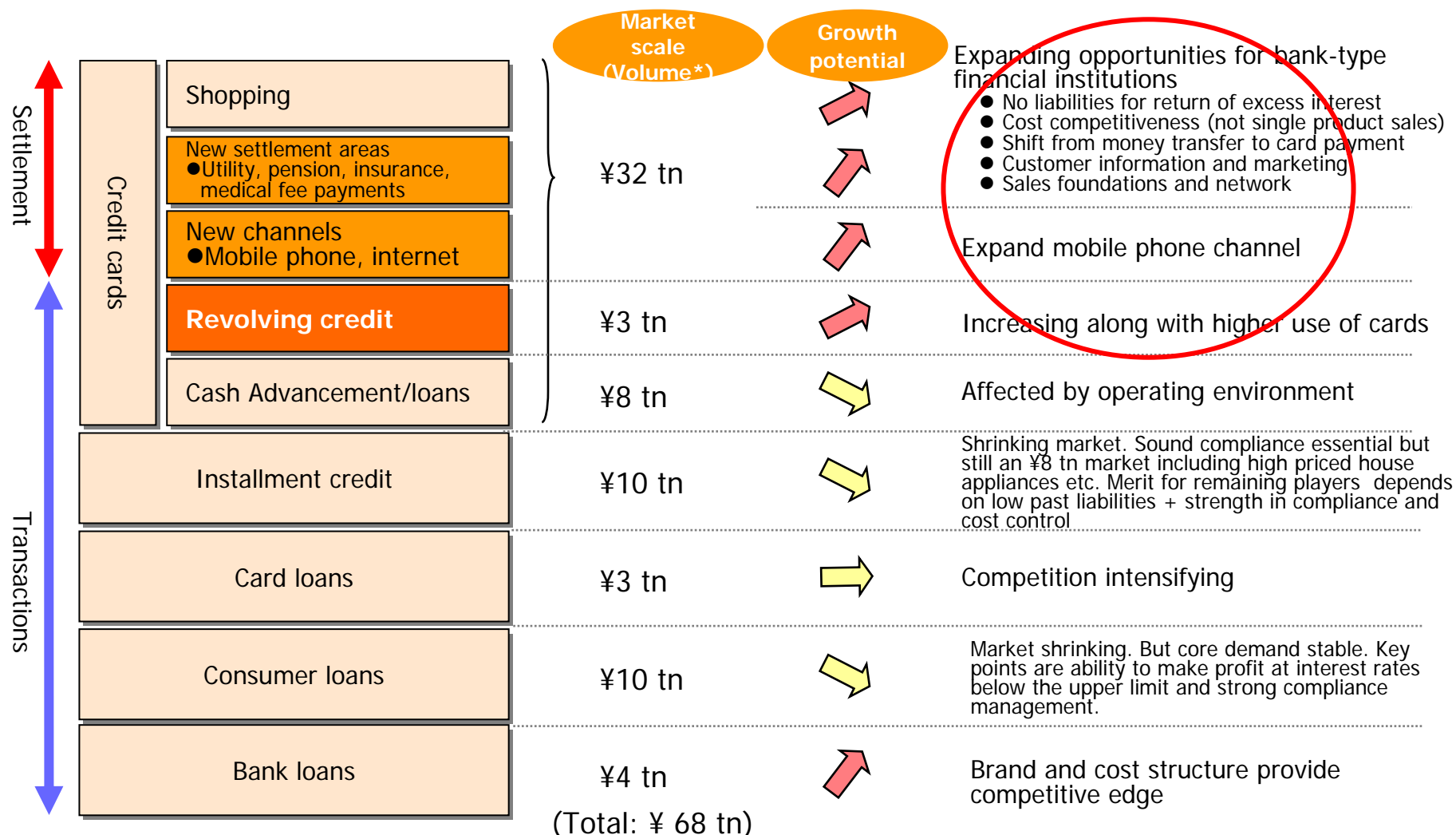
1. Outline of MUFG's Retail Business



Business promotion	<div>◇Overall Customer assets : ¥ 90 tn (End Jul. 07) (+¥4 tn YoY)</div> <div>➤Retail deposits<ul style="list-style-type: none">□Steady growth: Balance (End Jun. 07) : ¥62 tn (+¥1.3 tn YoY)</div> <div>➤Investment products<ul style="list-style-type: none">□Steady growth in sales (sales of 3 investment products FY05: ¥4.1 tn; FY06: ¥4.7 tn)□Preparing for full deregulation of insurance products sales</div> <div>◇Combined banking/Securities model (securities intermediation)<ul style="list-style-type: none">□635 staff seconded from MUS to BTMUFY06 sales ¥900 bn, major contribution to growth of MUS business base (customer assets)□Strong increase in accounts (#190,000)□Strong sales of JGBs for individuals (MUFG total FY06 sales of ¥700bn)</div>		<div>◇Consumer finance</div> <div>➤BTMU non-consolidated<ul style="list-style-type: none">□Steady increase in Comprehensive Card members (1.7 mn cards at End Aug. 07)□Plan to release new personal loan products</div> <div>➤BTMU consolidated (Mitsubishi UFJ NICOS)<ul style="list-style-type: none">□Japan's largest card company (FY06 Gross billings ¥7.1 tn, 26 mn members at End Mar. 07)□Sep 20 announced full-scale structural reform →To become wholly-owned subsidiary of MUFG</div> <div>➤ACOM<ul style="list-style-type: none">□Returning excess interest□Reduced interest on new loans (June), actively moving customers to new rates□FY07 Q1 profits +20% YoY</div> <div>➤JACCS<ul style="list-style-type: none">□taking over installment credit business of NICOS□Joining the Group (as equity method affiliate)</div> <div>➤DC CashOne, Mobit, etc.<ul style="list-style-type: none">□Steadily growing balances under interest rate restriction law</div>		<div>◇Loans<ul style="list-style-type: none">□Housing loans: ¥2.6 tn extended in FY06□Housing loan balance at End Jun. 07 : ¥17 tn +¥0.1 tn YoY excluding securitization□7 serious illnesses product: Over ¥1 tn in a year□Consolidated loan promotion offices to boost efficiency (189 at time of integration→132)</div> <div>➤Bank/Trust bank cooperation (Inheritance business)<ul style="list-style-type: none">□40 MUTB staff seconded to BTMU</div> <div>➤Fees & commissions: Strengthen business base /improve customer satisfaction<ul style="list-style-type: none">□Abolished transfer fees (BTMU/MUTB) May 06□Reduced CVS ATM usage fees (BTMU) Mar. 07</div> <div>➤Channels: No. of Branches MUFG 871, (of which BTMU: 671)<ul style="list-style-type: none">□MUFG PLAZA 63 branches (Plan to grow to 100)□PBO 13 (Plan to grow to 30)□CVS ATM (25,000)</div> <div>➤Marketing<ul style="list-style-type: none">□Launch new products and services□Strengthen database marketing</div>						
	Alliances/ New companies	<div>➤Internet strategy 1<ul style="list-style-type: none">✓kabu.com Securities<ul style="list-style-type: none">□TOB implemented (Apr. 07)□Bank agency business (Apr. 07)□Consolidated sub. (Jun. 07)✓KDDI<ul style="list-style-type: none">□MNB preparatory co. established (May 06)□MNB to start business (planned H1 2008)</div>		<div>➤Internet strategy 2<ul style="list-style-type: none">✓DeNA<ul style="list-style-type: none">□PAYGENT established/ Net settlement business (Aug. 06)✓Walt Disney<ul style="list-style-type: none">□Joint net branch launched (May 07)</div>		<div>➤Segment strategy<ul style="list-style-type: none">✓MU Merrill Lynch PB Securities launched (May 06)<ul style="list-style-type: none">□Strong performance✓JTB<ul style="list-style-type: none">□QLC steady starting✓Walt Disney (May 07)<ul style="list-style-type: none">□Aim to expand business with young /female customers</div>		<div>➤Loan strategy<ul style="list-style-type: none">✓Japan Housing Finance Agency<ul style="list-style-type: none">□Released joint securitization scheme□As a result developing alliances with regional banks, Norinchukin, etc.✓Alliances with major housebuilders<ul style="list-style-type: none">□Strengthen sales route via housing brokers</div>		<div>➤Regional strategy<ul style="list-style-type: none">✓Strengthen tie-ups with partner regional banks✓Strengthen alliance with JA (Norinchukin)✓Pursue Kyushu and Chubu strategies</div>	
		Internal control etc.	<div>➤Organization/ Staffing<ul style="list-style-type: none">□HQ staff reduced by around 700 since integration→reassigned to front lines (BTMU)</div>		<div>➤Internal control<ul style="list-style-type: none">□Area administrators assigned□Respond to Financial Instruments and Exchange Law□Strengthen controls at major affiliate companies</div>		<div>➤CS<ul style="list-style-type: none">□Enhancing customer response gathering system□trying to improve customer waiting time□Formulated "10 promises to customers"</div>		<div>➤ES<ul style="list-style-type: none">□Two-way communication□Introduce standard business hours</div>		<div>➤Staff development<ul style="list-style-type: none">□Since integration a total of 37,000 staff received average 2.1 days of training□Commencing personally tailored curricula</div>
Day2 preparations: Full scale response including informing customers, branch staff training, etc											

2. Trends in the Consumer Finance Market

- The credit card market is expected to enter a major growth phase
 1. Expanding business in new settlement areas and through new channels
 2. Enhanced profitability through shift from consumer loans to revolving credit
- Increased card payments for utilities, tax, insurance, pensions, medical expenses, etc. → Expanding opportunities for bank-type financial institutions
- Low past liabilities (return of excess interest, reduced interest rates) and sound compliance are vital competitive advantages



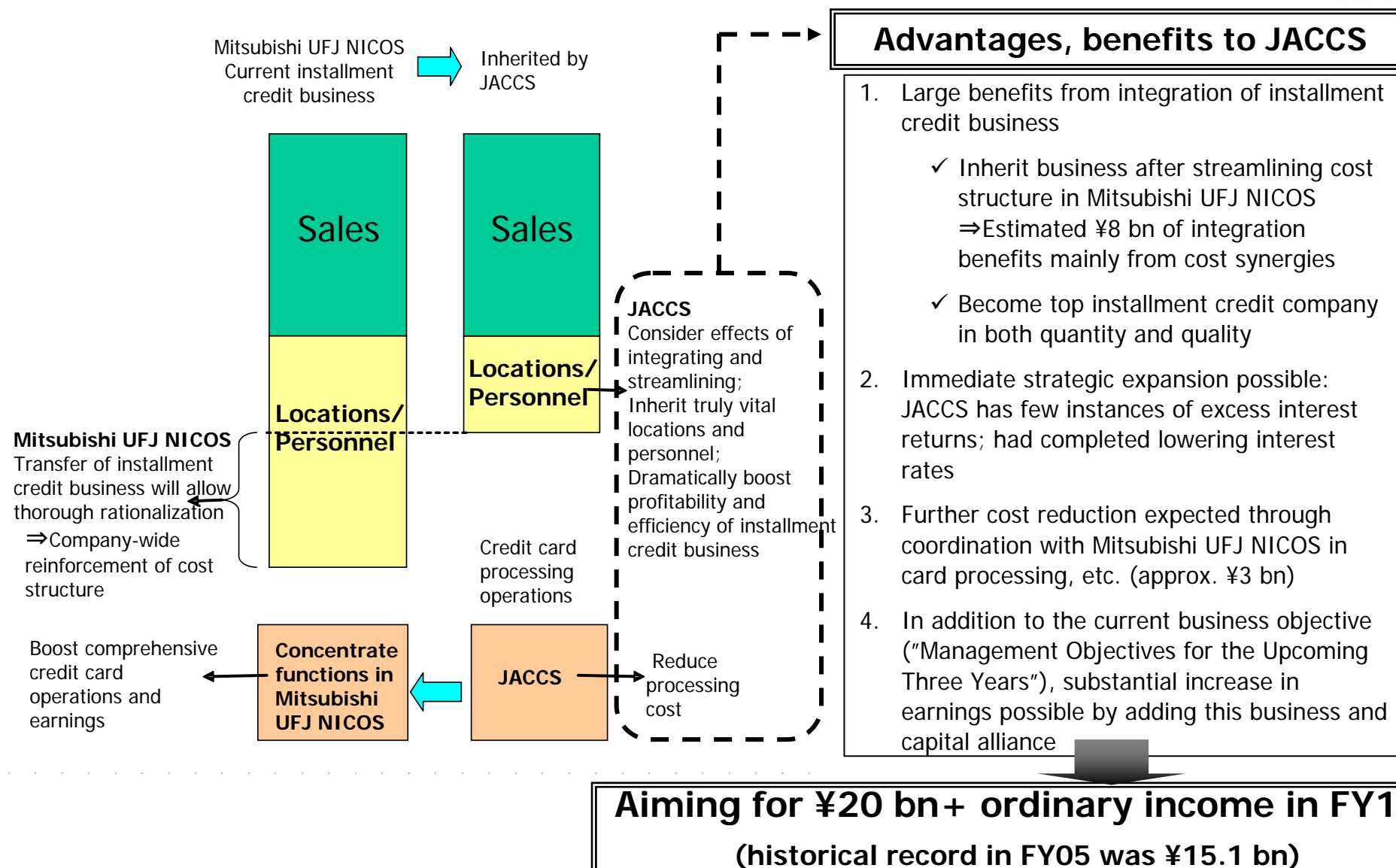
* Source: Japan Consumer Credit Industry Association, Consumer Credit Statistics

3-(1) Summary of announced plans

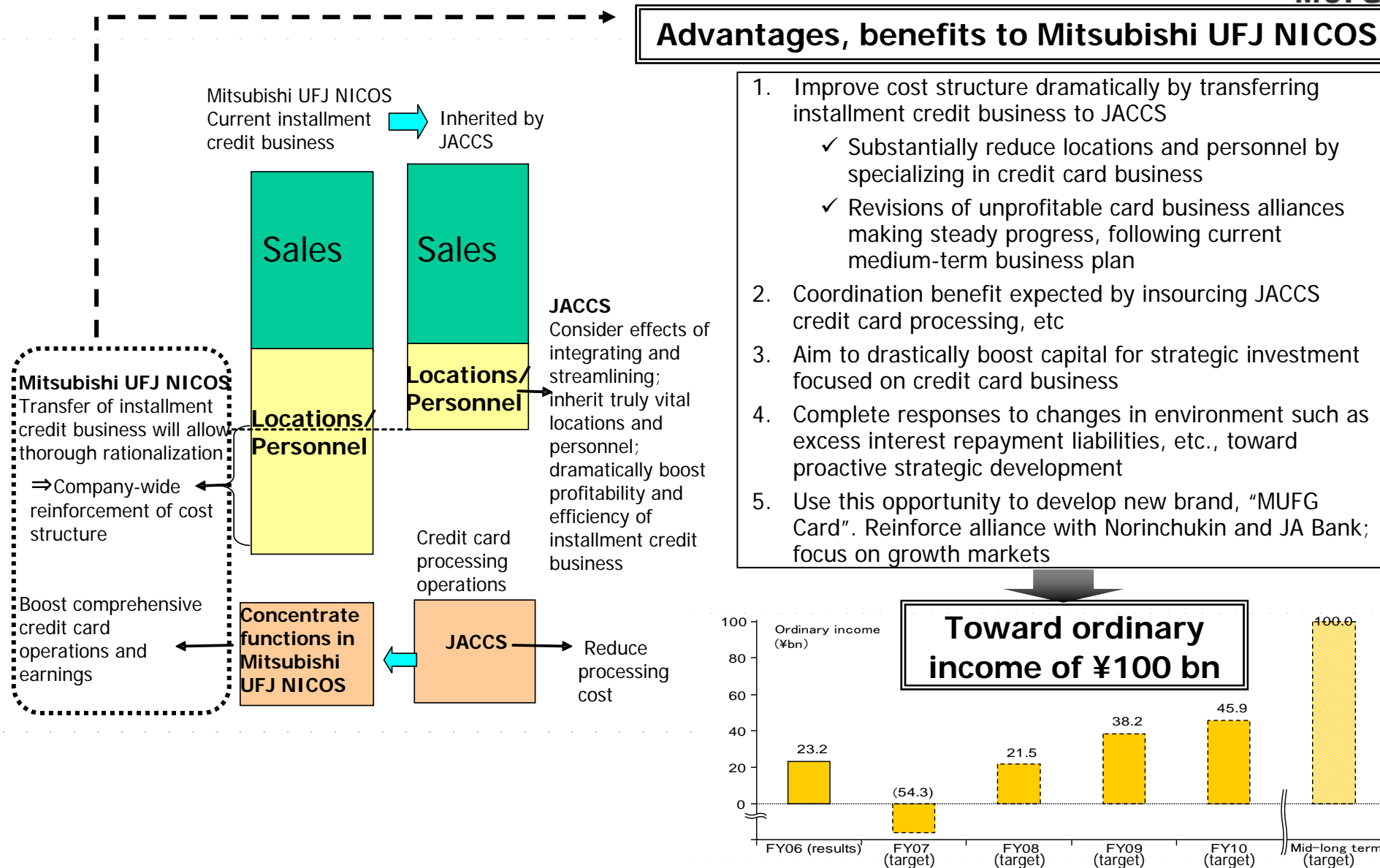


- **Reorganization of Mitsubishi UFJ NICOS/JACCS operations**
 - ⇒ **Transform earnings and cost structure of both JACCS and Mitsubishi UFJ NICOS to sharply boost competitiveness**
- **Mitsubishi UFJ NICOS - Thorough measures to shift to proactive approach**
- **Build credit card business as MUFG's core business, alongside banking, trust banking and securities**

3-(2) Implications for JACCS and its installment credit business



3-(3) Implications for Mitsubishi UFJ NICOS(1)



3-(4) Implication(2): Thorough measures to shift to proactive approach



Response to changes in environment

Allowance for repayment of excess interest

- Number of claims received has stabilized (1st > 2nd quarter)
- However, a conservative estimate involving the continuation of a 30% increase in repayments over 1 year lead to 5 year allowance
- Interest rates on new loans reduced to within Interest rate restriction law in April
 - ※ Expected to complete for existing loans within 2 years

Allowance for credit losses

- Advanced increase in credit loss reserve since change to bank provision standard in '04
- Increase preparing for higher risk of debt reorganization, at this time provided for in same timing as increase in allowance for excess interest repayment

Response to structural reform

Transfer of installment credit business to JACCS—an opportunity for transformation in operating structure

- Toward a business management system specializing in credit card business
- Accelerate integration of locations and business centers (134⇒47)
- Decided to integrate six regional subsidiaries with parent company

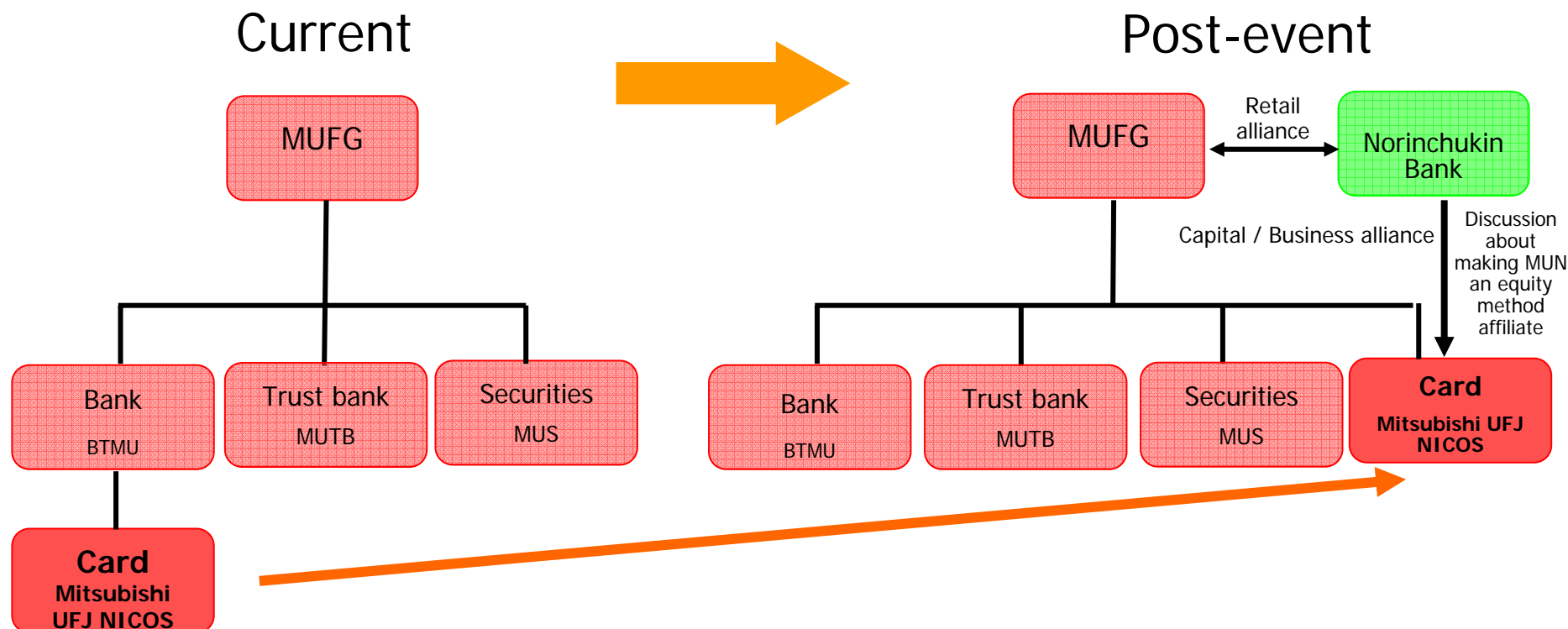
Sweeping personnel reductions

- Substantial increase in numbers originally planned for personnel reduction to follow installment credit business transfer (1,400 increased to 2,890 over 3 years, with 2,300 occurring in FY07)
 - ⇒ Record one-time expense of ¥58.6 bn as structural reform allowance in interim period

Strengthen capital by ¥120 bn to secure capital for strategic investment

Rapid growth as new Mitsubishi UFJ NICOS
— aim for dramatic increase in corporate value —

3-(5) Credit Card business as MUFG's core business alongside banking, trust banking and securities

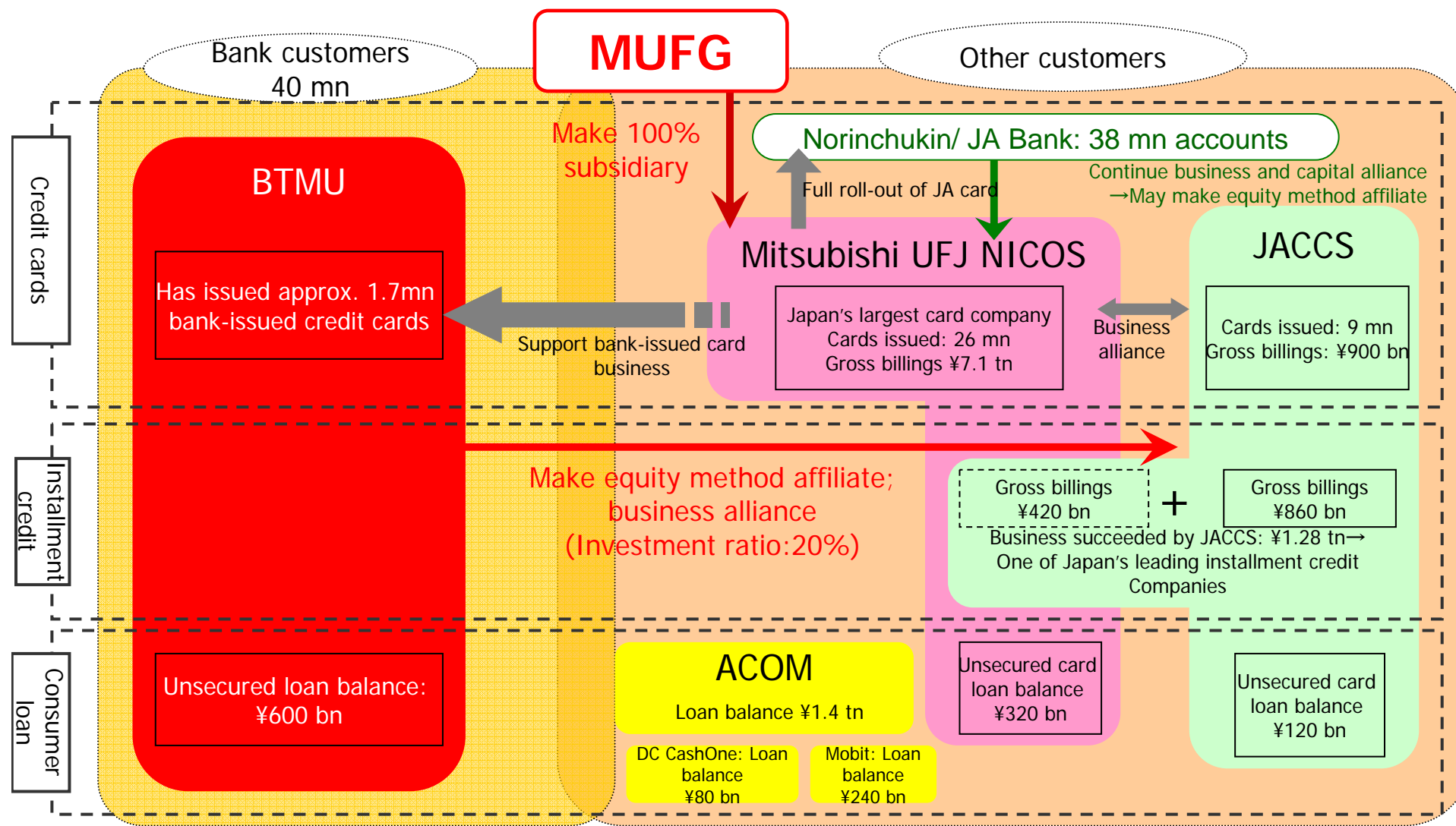


- Looking ahead, the credit card business, with its strong growth potential, is positioned alongside banking, trust banking and securities as MUFG's core business domain
- Mitsubishi UFJ NICOS will be a direct subsidiary of MUFG that will be able to fully leverage group synergies such as the brand, channels, etc.
- Develop and maintain the Norinchukin Bank and Mitsubishi UFJ NICOS capital alliance, consider and discuss making a Mitsubishi UFJ NICOS an equity method affiliate of Norinchukin Bank

4. MUFG's Consumer Finance Business Formation

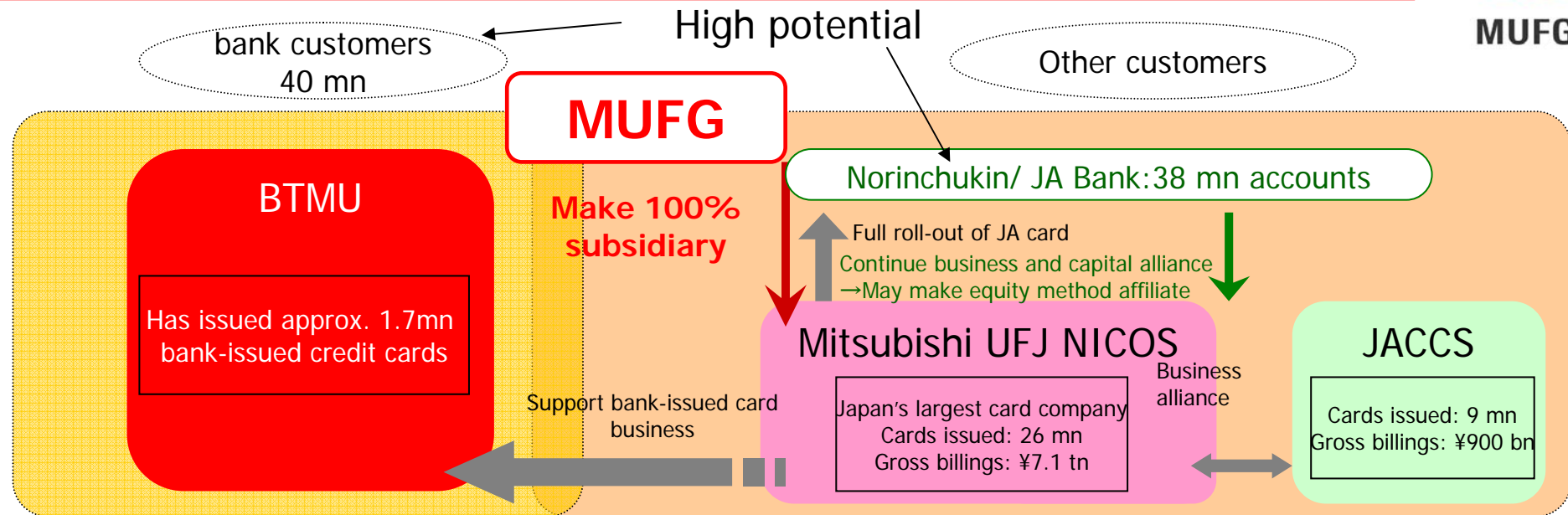


- Create a leading company in each area and meet expanding, diversifying customers needs
- Accelerate and take the lead with a consumer finance business matched to a new era



* Figures are as of FY06, except bank-issued credit cards, end of Aug 07

5. MUFG's Credit Card Business: Outline and strengths



A major opportunity for bank-type financial institutions

● Bank-issued credit cards

Only mega bank with own bank-issued credit card—numbers issued and rate of use already exceeding internal plans
Boost cost efficiency by outsourcing processing and merchant acquiring operations to MUN

● Norinchukin/ JA Bank business and capital alliance

- ✓ Extremely high potential
- ✓ Increased use by senior citizens for healthcare, travel, etc.
- ✓ Full-scale roll-out of JA Card

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● No.1 in Japan with 26 mn cardholders (3 mn new cardholders per year)

focus on “MUFG Card” as strategy for next-generation credit card

- Solid business foundation in place for transport, healthcare, etc.
- Plan to expand mobile channels
- Compatible with 4 international brands (AMEX, etc.)

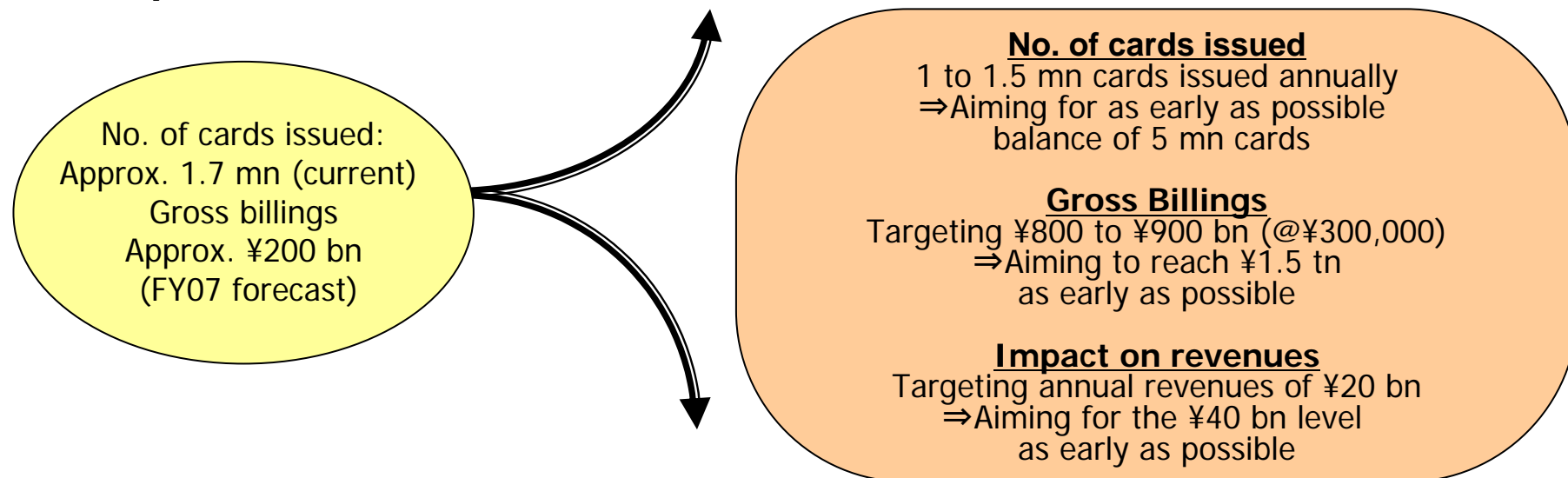
5-(1) MUFG's Credit Card Business: Outline and strengths

- Bank-issued credit cards



- **Bank-issued credit card = Global standard**
 - ~ **Strengths of bank-type financial institutions → significant opportunity**
 - ✓ Develop sales by leveraging the bank's customer base and network
 - ✓ Proceed with shift to card settlements from money transfers
 - ✓ Enhance marketing by using customer information
 - ✓ Cost competitiveness derived from bank's financial strength
(multi products sales, funding cost, etc.)
 - ✓ Bank has no burden of returning excess interest, etc.

Profit potential of the bank-issued card

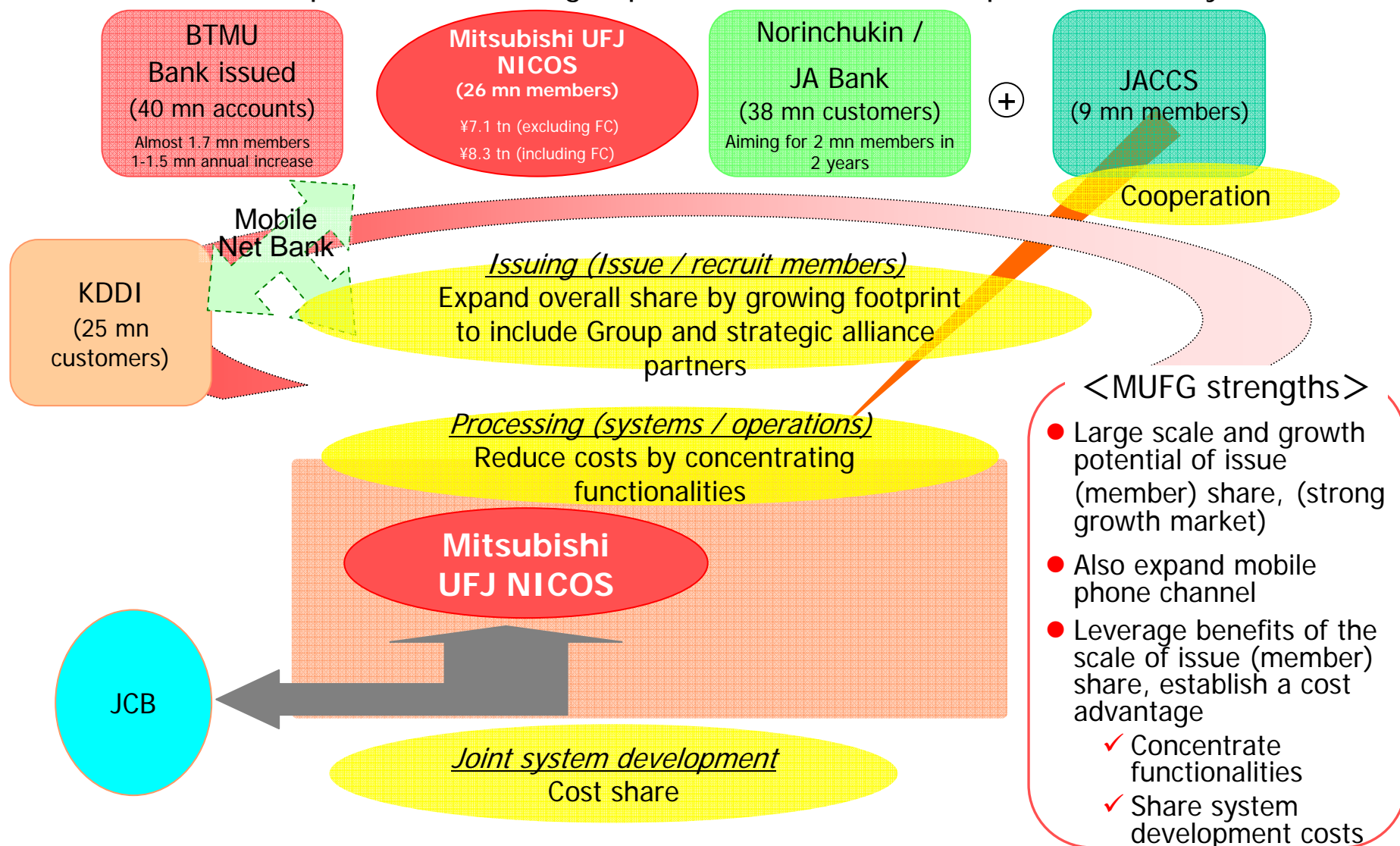


5-(2) MUFG's Credit Card Business: Outline and strengths

- Cost competitiveness through maximizing share and concentrating functionalities of systems/operations



- In a high growth market pursuing market share expansion (diversity of issuers)
- Increase cost competitiveness through optimum combination of operations and systems



5-(3) MUFG's Credit Card Business: Outline and strengths - Summary

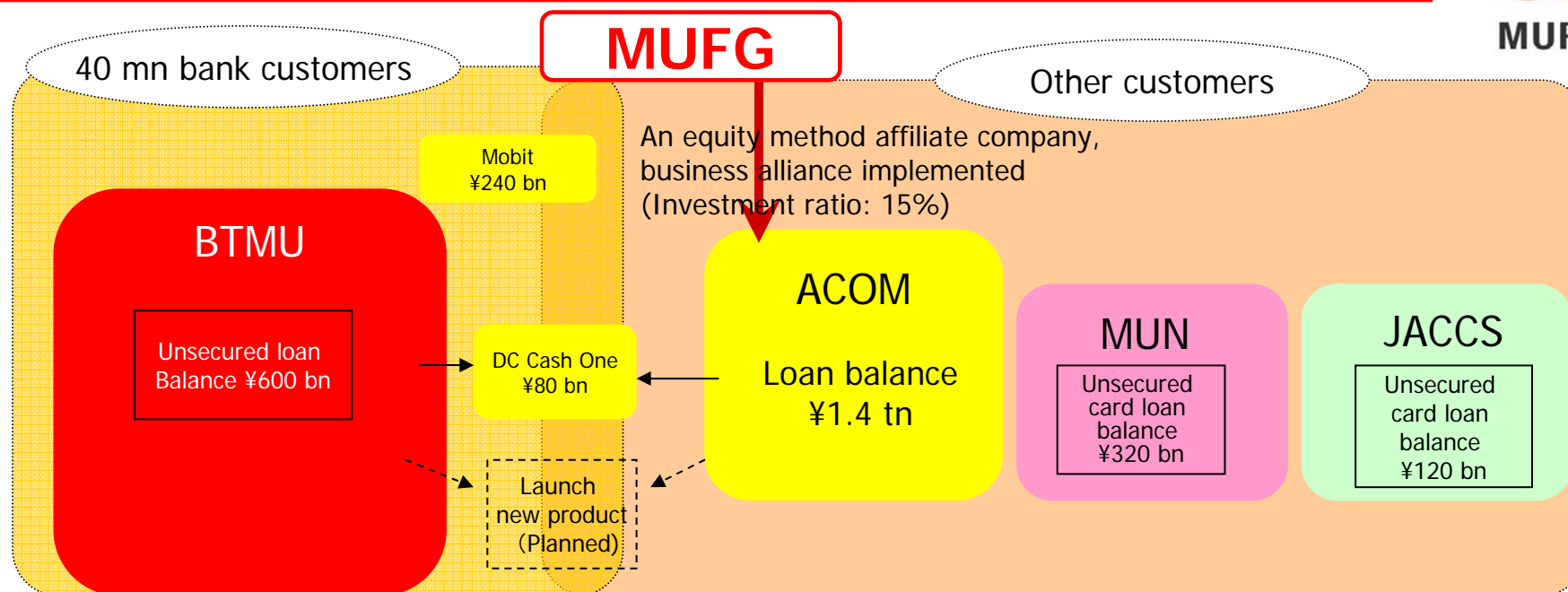


Bank-issued credit cards	Comprehensive credit card company – a core operation	Ability to grow market share	Responsibilities and functionalities	Strengthening the cost structure for environmental change
<ul style="list-style-type: none"> Unique to MUFG/BTMU among the three mega-banks High growth potential Processing / Merchant acquiring operations outsourced to MUN 	<ul style="list-style-type: none"> Top company 26 mn members, ¥7.1 tn billings Significant market potential of major financial groups (JA Bank) other than MUFG Make wholly owned subsidiary of MUFG 	<ul style="list-style-type: none"> Strengths in future expanding markets such as transportation, medical, etc. Alliances and issues with top players in each industry Mobile phone channel: KDDI and BTMU are preparing a Mobile Net Bank 	<ul style="list-style-type: none"> Concentrate functionalities for processing and merchant acquiring operations within MUN Joint system development project with MUN and JCB 	Thorough measures taken this time

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Responding to interest rate law; Compliance
Group Compliance Committee,
Reduction of all interest rates on new lending completed,
Mitsubishi UFJ NICOS and ACOM actively inviting
existing customers to switch to lower interest rate loans

6. MUFG Consumer Loan Business



Operating environment

- Effects of the Amendment of the Money-Lending Business Control and Regulation Law were tough, however core demand remains stable
- Shift of excess demand due to volume regulations and brand selection are advantages for bank-type institutions

Development with ACOM based on cooperation

- ☆ Plan to launch new product through cooperation between BTMU and ACOM
- ☆ Acquisition of Indonesian bank
- ☆ Acom
- June: rates on new lending reduced within legal limits, actively proposing shift to new rates to existing quality clients; leading industry in compliance
- FY06 reported allowance for excess interest return of ¥490 bn
- FY07 forecast: ¥51.6 bn ordinary income, ¥47.0 bn net income (FY07 Q1 results: ¥13.2 bn net income)

7. Growth outlook for MUFG's Consumer Finance Business

- Comprehensive response means that effect on net income is bottoming out

Impact in FY06	FY07 (forecast)	Change (forecast)
ACOM -95.0(15% holding) MUN -34.5 Total -¥129.5 bn	ACOM +7.0 MUN from -70 to -80 + α (VisaIPO, etc.) Total from -¥63bn to -¥73bn + α	ACOM +102.0 MUN from -35.5 to -45.5 + α Total from +¥60bn to ¥70bn + α

- Post-FY08 operations growth forecast

MUN	Aiming for ordinary income of ¥45.9bn in three years Targeting ¥100bn in medium/long-term
JACCS*	Targeting ordinary income of ¥20bn in five years
Bank-issued cards	Aiming for an additional ¥20bn gross profit Targeting +¥40bn in 4 - 5 years
New small-lot loan bank products	Target ¥10 bn gross profit in the fifth year

*The Bank of Tokyo-Mitsubishi UFJ expects to make JACCS an equity method affiliate company during FY07