



Press Release

September 10, 2004

UFJ Holdings, Inc.
UFJ Bank Limited
UFJ Trust Bank Limited

UFJ Announces Measures Aimed at Improving Profitability

The UFJ Group (UFJ) seriously regrets that net profits were more than 30% below targets outlined in the Financial Revitalization Plan, submitted to the Japanese FSA in June 2004, in both FY2002 and FY2003. Additionally, UFJ regrets that the Holding Company and the Subsidiary Banks are expected to show losses in FY2004, with no dividend being paid for either ordinary shares, preferred shares or securities, including public funds. UFJ will establish a scheme of responsible management to improve the Group's business management and will take action to significantly improve profitability, which will include severe cost cutting.

The Subsidiary Banks have posted greater-than-expected credit costs and anticipate posting a net loss as a result of accelerated business restructuring aimed at reform and resolving the problem loan issue. Due to the net losses of the Subsidiary Banks, the Holding Company also anticipates posting a net loss and will pay no dividend on a single basis, as shares in the Subsidiary Banks are required to be re-evaluated upon the recognition of losses. UFJ deeply regrets that the anticipated results fall below those predicted in May and would like to extend its apologies to all stakeholders. However, UFJ would like to remind stakeholders that the anticipated losses come as a direct result of continued efforts to deal with large troubled borrowers. UFJ fully expects that credit costs after this fiscal year will return to reasonable levels.

UFJ will take intensive action to improve profitability, including the implementation of strict cost controls, and is striving to achieve net profit and pay dividends with increased retained earnings, and to pay back public funds. Concrete measurements will be outlined shortly in the Business Improvement Plan, following the announcement of the Plan to Revitalize Management.

I. Steps to improve profitability

1. Problem loan solution

UFJ places the highest priority on achieving a final solution to the problem loan issue and is taking action towards realizing a problem loan ratio of less than 4% by the end of March 2005. Concrete details of this plan are to be prepared by the end of September, 2004.

UFJ is will take intensive and thorough action in the first half of FY2004 to achieve this goal, especially with regards to large troubled borrowers. In May 2004, a "Corporate Restructuring Department" was established within UFJ Bank Limited (UFJ Bank) to deal with specific large troubled borrowers. Additionally, concrete measures have been taken to strengthen the internal control framework for credit risk management. These include greater involvement of the Board of Directors in this process, strengthened internal controls and the formation of a new audit team within the Internal Audit Department, dedicated to large borrowers.

Since July 2004, the Board has thoroughly reviewed each large borrower's revitalization plan and has approved either additional support or final resolution measures. In the course of this revision process, to complete restructuring plans quickly and effectively, it was concluded that necessary and adequate financial actions needed to be completed in the first half of FY2004. Consequently, credit costs in the first half of FY2004 will be largely in excess of original predictions made in May, 2004.

The problem loan ratio rose to 10% in the first quarter of FY2004, due to the combined effects of borrower downgrades, and additional measures to deal with large borrowers, as outlined above. Since then, some plans have been agreed, or have come close to agreement, though execution of such plans will occur in the second half of FY2004. Therefore, the problem loan ratio at the end of September 2004 will remain at the same level it was at the end of June 2004.

The completion of effective action towards large borrowers is the top priority of management in the second half of FY2004. The execution of restructuring plans for each borrower company will continue and the target of less than 4% problem loan ratio at the end of FY2004 will not be changed.

2. Clarification of responsibilities

The previous top management group, namely the Presidents of UFJ Holdings, UFJ Bank and UFJ Trust Bank, has already resigned.

Though compensation for all directors and executive officers has been cut by 30% since July 2004, from October 2003, no compensation will be paid to the current top management group, resulting in an average 50% cut for all directors and executive officers. Consequently, the average compensation per person will be drastically reduced to Yen 14 million, Yen 8 million less than that of FY2003.

No retirement benefits for directors and executive officers will be paid in FY2005 and payments will not be restarted until dividends for preferred shares are paid.

3. Severe cost cutting

The UFJ Group (UFJ) regrets that net profits were more than 30% below targets outlined in Financial Revitalization Plan in both FY2002 and FY2003 and that the Holding Company and the Subsidiary Banks are expected to show a loss in FY2004 with no dividend being paid for either ordinary shares, preferred shares or securities, including public funds. UFJ will therefore pursue more effective cost cutting measures.

1) Personnel expenses

UFJ has aggressively streamlined its operations by bringing forward the schedule for the merger of the commercial banks making up UFJ, and personnel reduction in order to realize integration effects as soon as possible. UFJ has and will continue to pursue the most effective personnel management system suitable for each division. As an example of such measures, UFJ Bank introduced a personnel management system based on meritocracy, regardless of seniority prior to the merger in October 2001, with UFJ Trust Bank following suit in October 2003.

In addition, UFJ Bank adopted a new retirement annuity plan in April 2004. As future annuities vary according to the floating market rate under this plan, it is therefore expected to contribute to a reduction in personnel expenses.

UFJ cut employee bonuses by 20% year-on-year in the first half of FY2004. UFJ will further cut bonuses by approximately 80% year-on-year in the second half of FY2004 and will maintain this level until such a time that the Company will post net profit and pay dividends on shares. This is approximately equivalent to a 20% reduction of annual salary in comparison to that paid in FY2003 and a 25% reduction compared to that paid when the UFJ Group was first formed.

As a result, total personnel expenses in FY2003 were Yen 210.5 billion (Yen 62.5 billion or 23% less than personnel expenses in FY2000) and are expected to be Yen 181.0 billion in FY2004 (Yen 92.0 billion, or 34% less than FY 2000.).

2) Headcount

As of March 31, 2004, the number of directors and statutory auditors was 21, 3 less than at March 31, 2003. This figure is 20 less, approximately half, of the 41 members present at the incorporation of UFJ Holdings in April 2001. Though one more director is expected to leave, there are plans to invite two directors from outside the UFJ Group, to join the Board. Therefore, the number of directors and statutory auditors are expected to number 22 at March 31, 2005.

The total number of UFJ employees was 20,395, as of March 31, 2004. This figure is 6,529 less than when UFJ Holdings was first incorporated, a 24% reduction over three years. We expect the number of employees to be less than 20,000 as of March 31, 2005, around 7,000 or 26% reduction since incorporation.

3) Domestic and overseas branches

UFJ had 398 domestic and 17 overseas branches as of March 31, 2004. By consolidating duplications, 145 branches, including 12 overseas, have been closed since the incorporation of UFJ Holdings.

UFJ will continue to utilize branches effectively, giving full consideration to profitability and effectiveness from the perspective of customer convenience and the promotion of new businesses.

4) Non-personnel expenses

UFJ has pursued maximum overall group efficiency and will continue to seek to do so. Following the net loss in FY2003, the Group's cost structure has been aggressively re-examined, resulting in increased efficiency and the execution of extensive cost reductions.

In addition, in cooperation with third-party consultants, UFJ will pursue thorough rationalization including more efficient business procedures, conduct more efficient management of branches and head office organization, and will review cost management

procedures from a variety of different angles. As a group we strive to reduce costs and seek more efficient management procedures, including those of group companies.

4. Actions aimed at improving profitability

1) Retail business

UFJ will deliver unique services, which will enhance customer convenience in a recognizable manner. In every business channel, the aim is to be the number one group in terms of customer satisfaction and to realize the goal of becoming the “Top Brand in Retail Business”,

a. Mass-retail business

The channel reform project “UFJ 24” was launched in September 2003. The project consists of four main services: 24-hour ATMs, 24-hour customer telephone support, contract services via TV monitors at all branches, and a new-concept branch called “UFJ Plus”.

(24-hour ATM)

The number of 24-hour ATM locations has risen dramatically, growing from 12 in September 2003 to 325 as of August 31, 2004. In addition, since April 2004, 310 additional ATM locations offer services from 7 a.m. to 12 p.m.

(24-hour customer support via telephone)

24-hour manned support, 365-days-a-year has been provided since October 2003.

(Contract services via TV monitors)

State-of-the-art contract services, via TV monitor are provided with 570 machines at 406 locations in Japan.

(UFJ Plus)

New-concept branches, “UFJ Plus,” have been newly opened in Tokyo, Nagoya, and Osaka. The branches operate from 9 a.m. to 8 p.m. on weekdays and from 10 a.m. to 5 p.m. on weekends and public holidays.

In addition, with the intention to further upgrade customer convenience, “UFJ 24 Second Stage” was launched this year to reduce the amount of time spent

waiting at bank counters. Further improvements will be made to ATM functions.

b. Asset management business

UFJ Bank offers a variety of products to satisfy customer needs, and will reinforce sales of these products by improving the skills of sales people.

With a view to future deregulation, UFJ will further strengthen its internal control framework, making it even more suitable for a comprehensive financial group. At the same time, UFJ will reinforce its promotion framework, in order to contribute to a more effective utilization of its sales force.

Sales of main products	FY 2003 results	FY 2004 target
Equity investment trusts	Yen 396 billion	Yen 505 billion
Variable annuities	Yen 111 billion	Yen 258 billion

c. Loan businesses

(Housing loans)

UFJ will increase its loan balance of housing loans, targeting Yen 1,620 billion of new loans in FY2004. This will be achieved through the efficient promotion of loan facilities at 125 Housing Loan Offices, through housing contractors. These services will be expanded to local areas.

UFJ also strives to promote customer convenience by significantly shortening the time required for the loan approvals through efficient approval processes and improved automated credit assessments.

The bank will continue to offer more products and improve administration processes.

(Apartment loans)

UFJ regards apartment loans as one of the main products to attract wealthy private clients, and it aims to increase these loans, which have a low risk profile. Promotions to private clients will be supported by Head Office systems and loan officers will continue to reinforce relationships with housing

contractors – one of the most efficient routes to increase loans that have a low risk profile.

UFJ targets Yen 180 billion of new apartment loans in FY2004. Additionally, UFJ Trust Bank regards apartment loans as a necessary product in its private banking service line up, and will make efforts to increase such loan amounts, through the establishment of funds with preferred interest rates, and appropriate procedures to introduce customers to UFJ Bank.

d. Consumer finance and credit card business

Consumer loans are one of the main retail loan products for UFJ, equal in importance to housing loans. UFJ will increase the balance of loans outstanding, paying close attention to risk management. This outstanding loan balance will be increased largely through related consumer finance company, Mobit.

In its credit card business, UFJ Bank reached an agreement with Nippon Shinpan Co., Ltd. (Nippon Shinpan) in January 2004 to implement a strategic alliance in retail business. Later, in May 2004, Nippon Shinpan and UFJ Card Co., Ltd. agreed to merge, subject to regulatory and shareholders' approval. UFJ will further reinforce its credit card business through business integration with MTFG.

2). Corporate banking business

UFJ aims to become “the bank providing the best solutions” for its corporate customers. It also aims to become an innovative financial group, providing customers the most suitable business functions and financial services, which contribute to both customer business development and enhancement of corporate value.

In particular, UFJ will establish a new business model that will allow the bank to take the competitive edge in lending to medium-sized corporations and to increase non-interest income. The bank will:

- a. Increase loans to medium to small sized corporations,
- b. Providing solutions that contribute to solving customers' problems, and
- c. Create new customer channels and access routes.

a. Increasing loans to medium- and small-sized corporations

UFJ regards medium- and small-sized corporations as core customers and will improve its response to funding needs. .

Particularly, the bank will put priority on loans to medium- and small-sized corporations. In addition to the introduction of “UFJ Business Loan”, a simplified credit assessment model utilizing a scoring model, and aggressive increases in sales forces for these customers, UFJ will continue to develop unique loan products.

Newly extended UFJ Business loans Yen 300 billion (First half of FY2004 expected)
Yen 500 billion (Second half of FY2004 planned)

b. Providing solutions that contribute to solving customers' problems

UFJ will increase non-interest income through the provision of convenient settlement services, reinforcement of its investment banking businesses, and reinforcement of the sales and development of derivative products, offering a wide variety of products in order to assist customers to hedge risk.

UFJ will apply know-how developed through transactions with large corporations to medium- and small-sized corporations, by standardizing and offering, in small size lots, various financial products such as asset-backed finance and cash flow based finance in addition to syndicated loans, derivatives, and fixed income private placements.

For large corporations, UFJ will provide solutions that contribute to business development and the enhancement of corporate value for its customers through financial services provided by group companies. For medium- and small-sized corporations, UFJ will provide more solutions that contribute to the solution of management problems thorough such services as “UFJ Business Forum” and customer support for those starting business in China.

c. Create new customer channels and access routes

To expand its customer base, UFJ has developed new customer channels utilizing the internet, in addition to face-to-face interactions at branches. The bank introduced the “UFJ Business Platform” in April 2004, which provides various services via internet such

as application delivery and receipt, loan consultation, settlement, foreign exchange, and information services. The bank will also introduce additional products such as advanced electronic banking, via internet, and foreign exchange transactions with improved maneuverability and additional functions.

The bank aims to establish business models with increased customer convenience and high cost performance by establishing a hightech advanced and effective sales framework that connects customers via branches, internet, and telephone support centers according to customer needs and customer segmentation.

3). Global banking and trading businesses

In its trading business, in addition to traditional trading and banking transactions, UFJ will focus on the development and provision of derivatives products in response to diversified customer needs. In particular, UFJ will develop and provide various new products to match customer needs, such as small size products, time deposits with conditions to invest in the market at attractive interest rates, and energy derivatives.

In its global banking business, UFJ aims to maintain strong brand recognition through its business foundation in China. UFJ will add value in providing solutions to customers, offering additional functions for cash management services and a reinforced consulting function, which will contribute to the sales of products made in the same country as the actual transaction.

UFJ will also continue to focus on trade finance by increasing deals in our important market in BRICs.

4). Trust business

UFJ Trust Bank provides trust related services and retail services to a dramatically expanded customer base. Services are provided through trust agency, joint branches, and “trust offices”.

The trust agency business is expanding steadily since its start in March 2002. The business has resulted in increased assets of approximately Yen 220 billion in the pension business, and has acquired 225 new customers in the corporate agency business.

In its corporate agency business, UFJ Trust has introduced a “New IR system for individual equity investors” which is the first service in Japan that analyzes shareholders statistically

from different angles. Such a unique service proves that UFJ Trust is one of the best trust banks in developing new products.

In asset management business, UFJ focuses on providing new products under an exclusive sales license in Japan from Bridgewater, a global leading asset management company.

In asset securitization business, UFJ Trust has developed unique investment trusts and new schemes, utilizing intellectual property trusts which can be offered after the revision of the Japanese trust banking law.

In the real estate business, UFJ Trust answers customers' needs for business restructuring and asset management by providing consultation services on revaluations and newly developed real estate funds utilizing securitization.

II. Measures for establishing responsible management framework

UFJ Holdings will use the advice of several external experts, and will strengthen corporate governance in order to enhance profitability.

1. Structure for profitability management

1) Establishment of “Follow-Up Meeting for the Plan to Revitalize Management”

In order to achieve the Plan, and in conjunction with the advice of newly-appointed outside experts, UFJ will strengthen governance through various management processes, aiming to improve profitability by enhancing lending to small- and medium-sized enterprises, increasing the status of implementation of restructuring measures and initiatives for the non-performing loan problem, etc.

2) Establishment of “Advisory Meeting”

UFJ will set up a meeting where external directors, external auditors and above mentioned external experts may discuss proposals with and provide advice to the UFJ management group.

3) Strengthening corporate governance

(Strengthening the function of the board of directors)

- UFJ will increase the frequency of the regular board meeting from 10 a year to once a month
- UFJ will increase the frequency of the issuance of performance reports such as profit, or SME lending, from quarterly to monthly

(Strengthening management supervision by external directors)

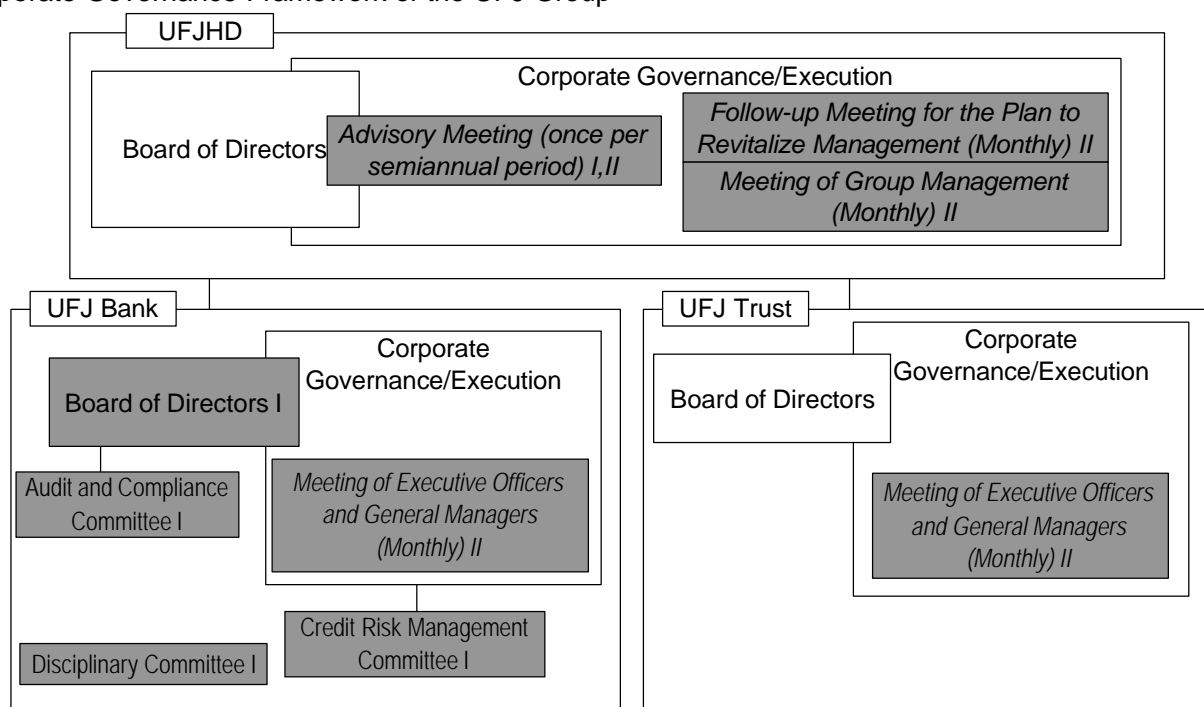
- Executive office supporting external directors will strengthen cooperation by communicating discussions at board meetings among the management of the holding company and subsidiaries
- UFJ will set up a commission consisting of external directors and auditors for the purpose of selecting agendas for board meetings.

2. Firm management stance

The demonstration of business management ability shown through board meetings, and the reconstruction and the maintenance of UFJ's corporate governance structure are top management issues for UFJ.

The management of UFJ Holdings, UFJ Bank and UFJ Trust Bank believes it necessary to improve the business management and supervision by proactive involvement in the Group's internal management system. It is also necessary to ensure clear missions for Head Office departments, so that a system of mutual supervision operates efficiently. Through this, UFJ aspires to achieve sound bank management and will demonstrate a determined management stance aimed at restoring the confidence of shareholders and depositors.

Corporate Governance Framework of the UFJ Group



* I are organizations to be established or reorganized to review from the third party professionals regarding compliance or risk management

* II are organization to be established or reorganized to review from the third party professionals regarding improving profitability

III. Measures for management reform in the future

As mentioned above, through actions to achieve the final solution of problem loan issues, the UFJ Group will improve profitability in the current fiscal year by accomplishing financial revitalization.

Further, the UFJ Group will continue discussions toward the management integration with the Mitsubishi Tokyo Financial Group, Inc. ("MTFG") in accordance with "the Basic Agreement regarding the Management Integration" entered into on August 12, 2004.

We will ensure the repayment of public funds through enhancement of corporate value and further improvement in profitability by the management integration with MTFG.
