

Japan's economic recovery and opportunities for The Bank of Tokyo-Mitsubishi UFJ

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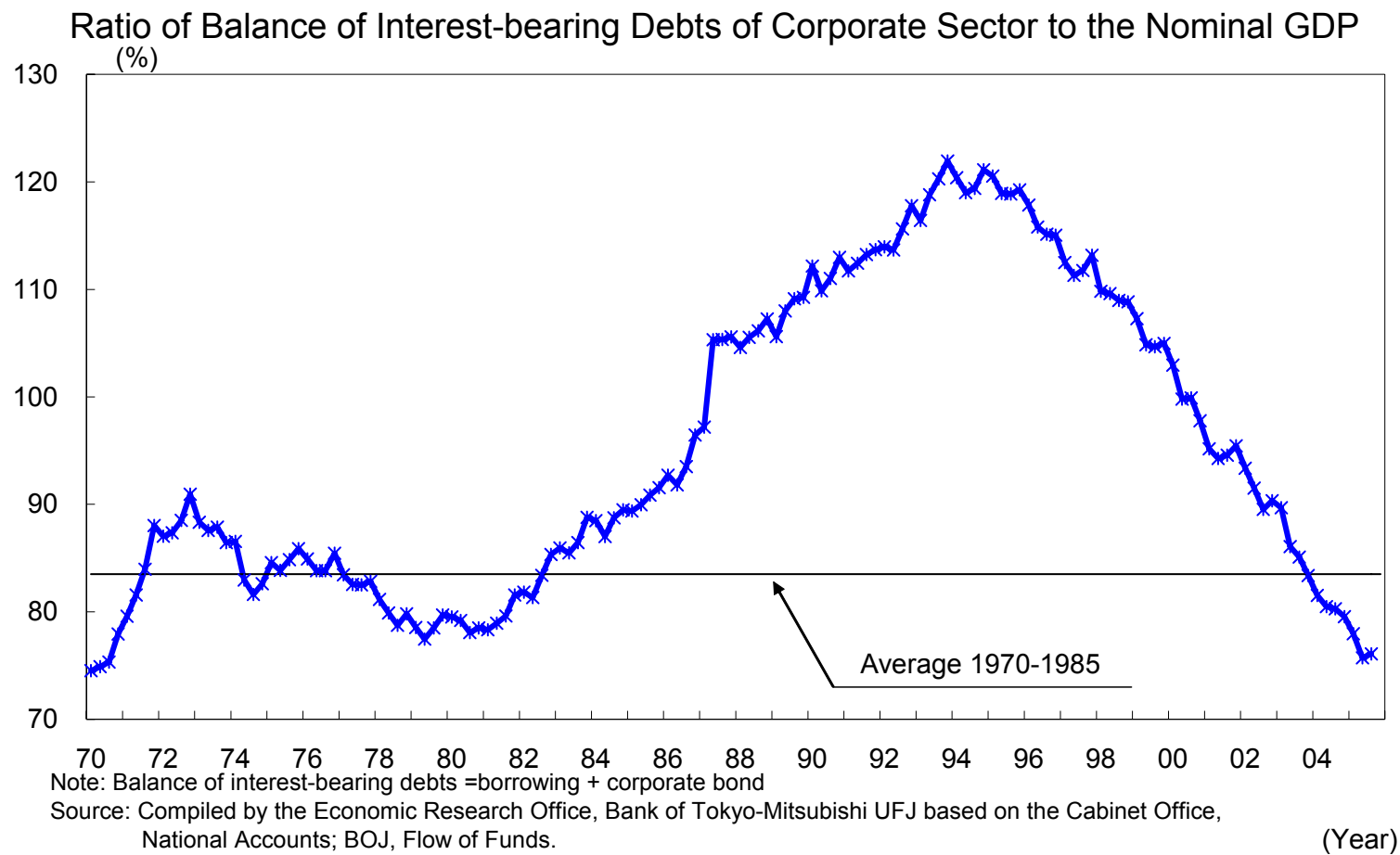
➤ Japan's economy break out of the
“lost decade”

➤ Economy moving toward a “normalization.”

- □ Elimination of three excesses (debt, employment, and equipment)
- 2. Elimination of the macro supply-demand gap, and breaking out of deflation in sight

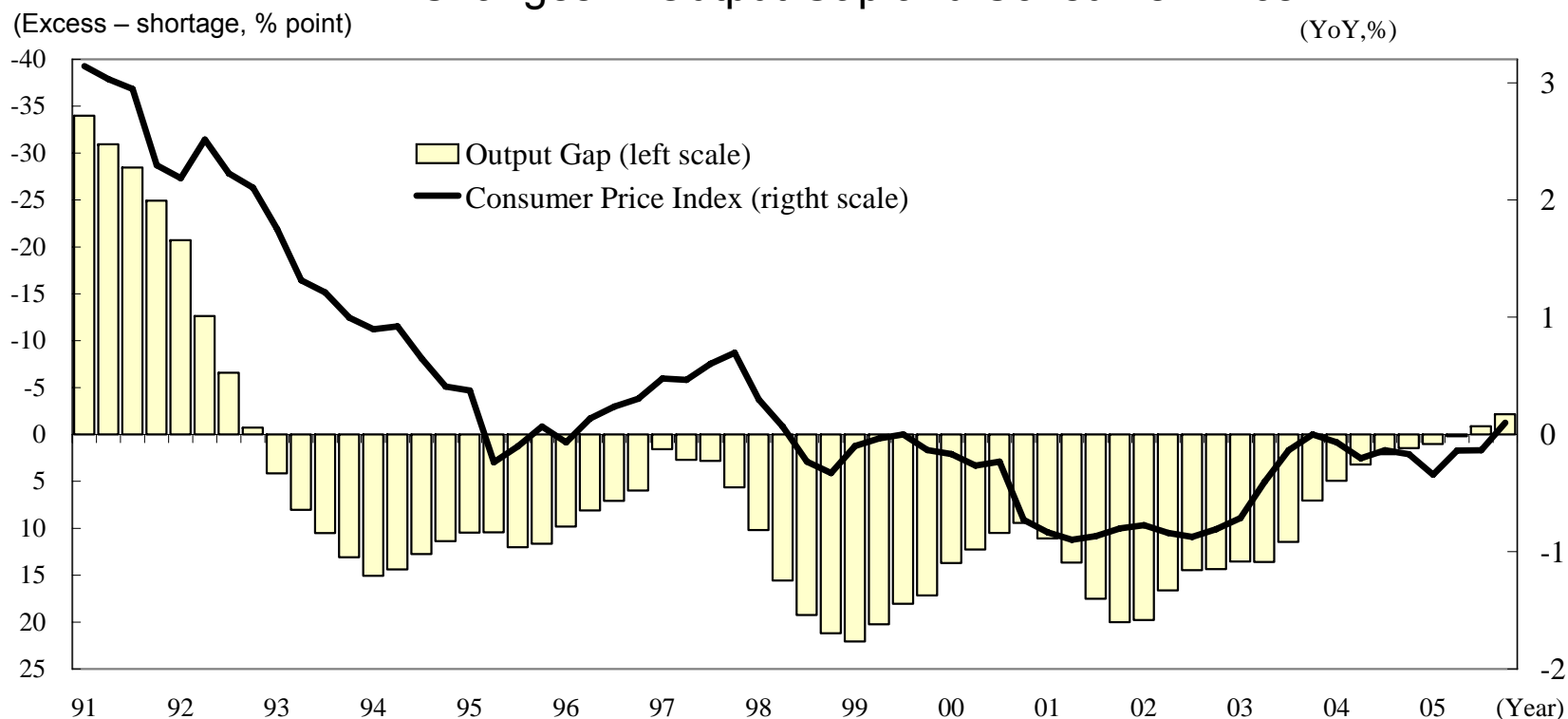
→ Corporate capital investment and hiring
becoming aggressive

Excess Debt Eliminated (Bad-loan Problems)



Supply-Demand Gap Eliminated → End of Deflation in Sight

Changes in Output Gap and Consumer Price



Notes: 1. Data in the output gap were calculated on the basis of the weighted average of the production capacity DI and the employment condition DI reported in the Bank of Japan's tankan survey, using labor's share (average in and after the 1990s). Seasonally adjustments were made by the Research Office of the Bank of Tokyo-Mitsubishi.

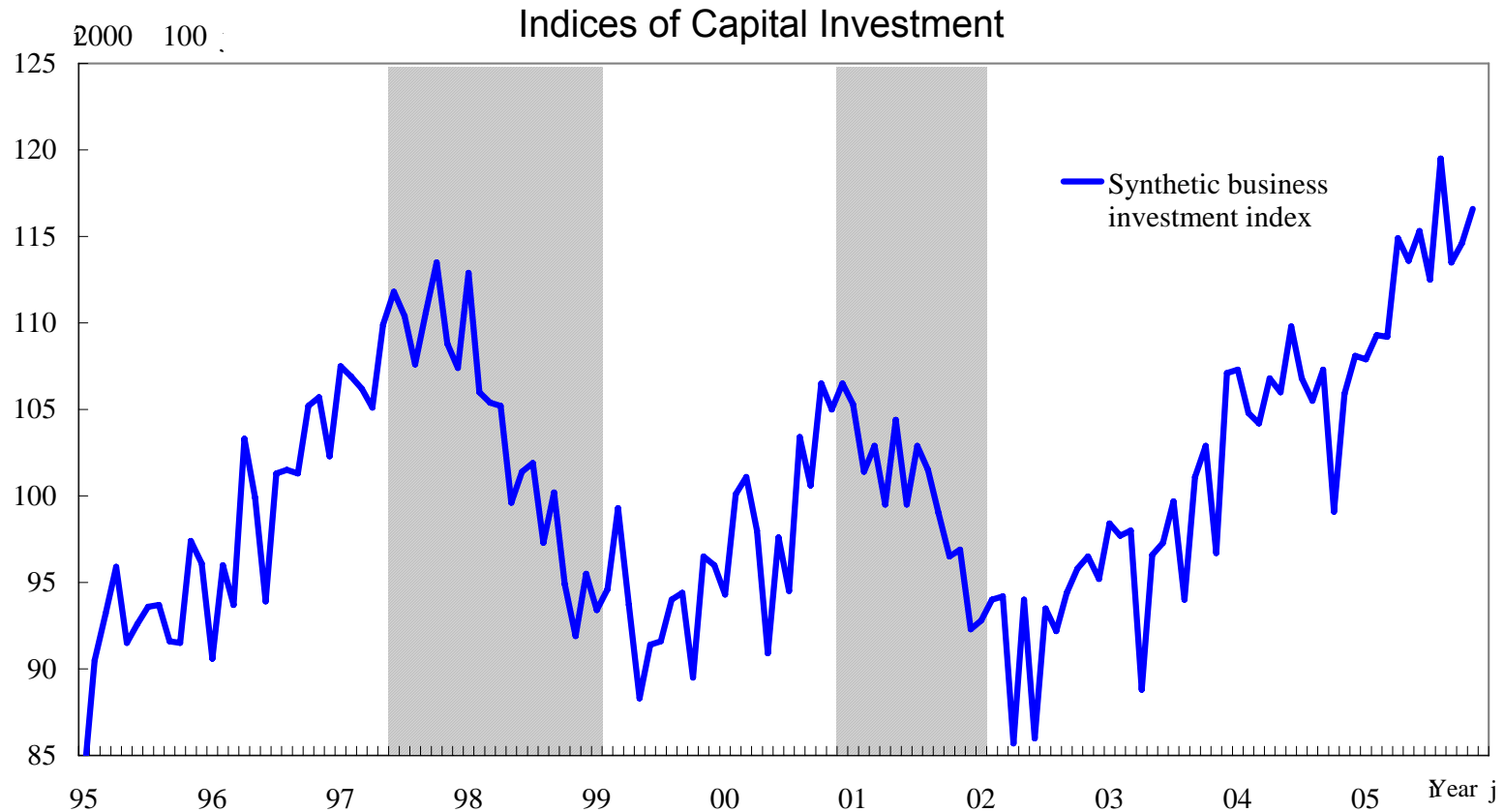
2. Data for the third quarter of 2003 and earlier are on the basis of former standards.

Source: Compiled by the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ, based on Bank of Japan

“short-Term Economic Survey (tankan)”, Ministry of Internal Affairs and Communications “Consumer Price Index”

Japanese Corporations Turning Aggressive

(i) Conspicuous increase in capital investment



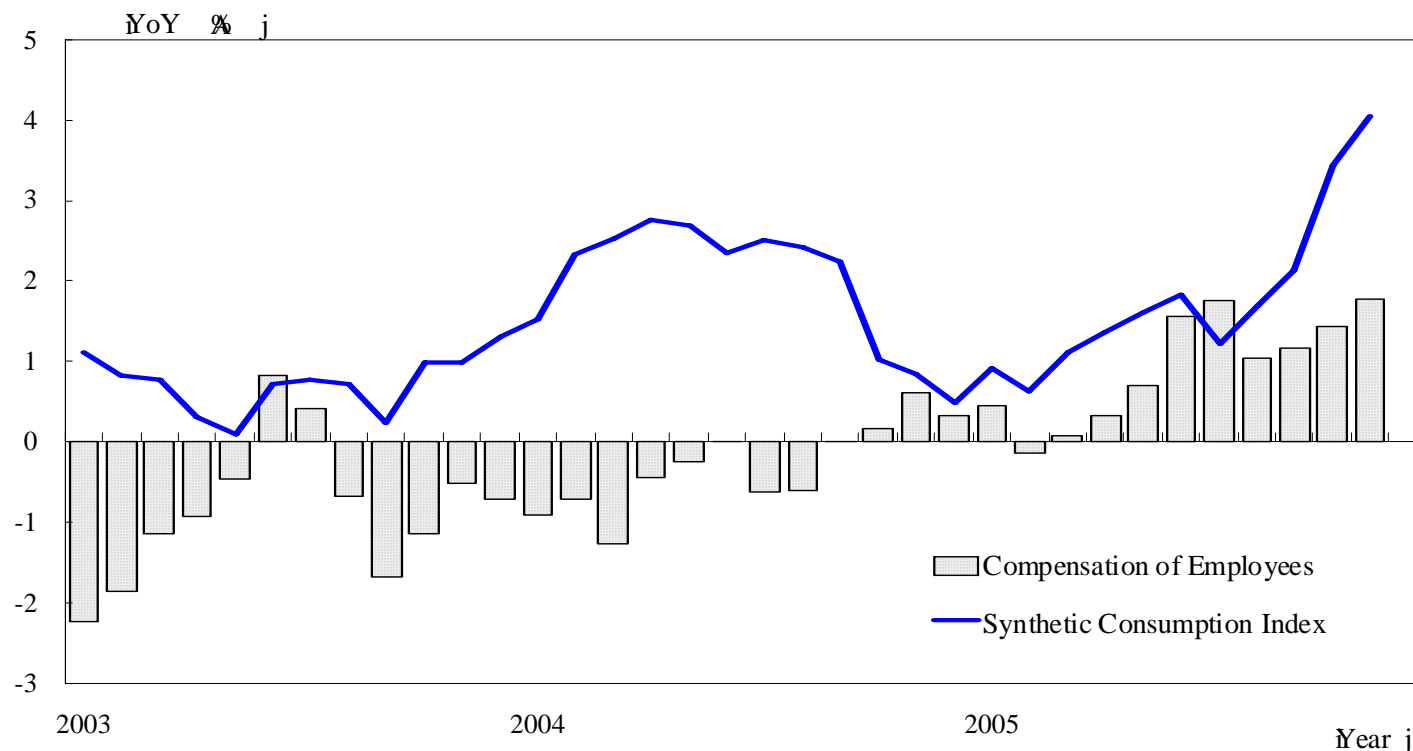
Note: Shaded portion indicates recession.

Source: Compiled by the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ based on CAO, "Synthetic business investment index".

Japanese Corporations Turning Aggressive

(ii) Taking an aggressive stance toward hiring → Favorable impact on private consumption

Changes in Personal Consumption and Compensation of Employees

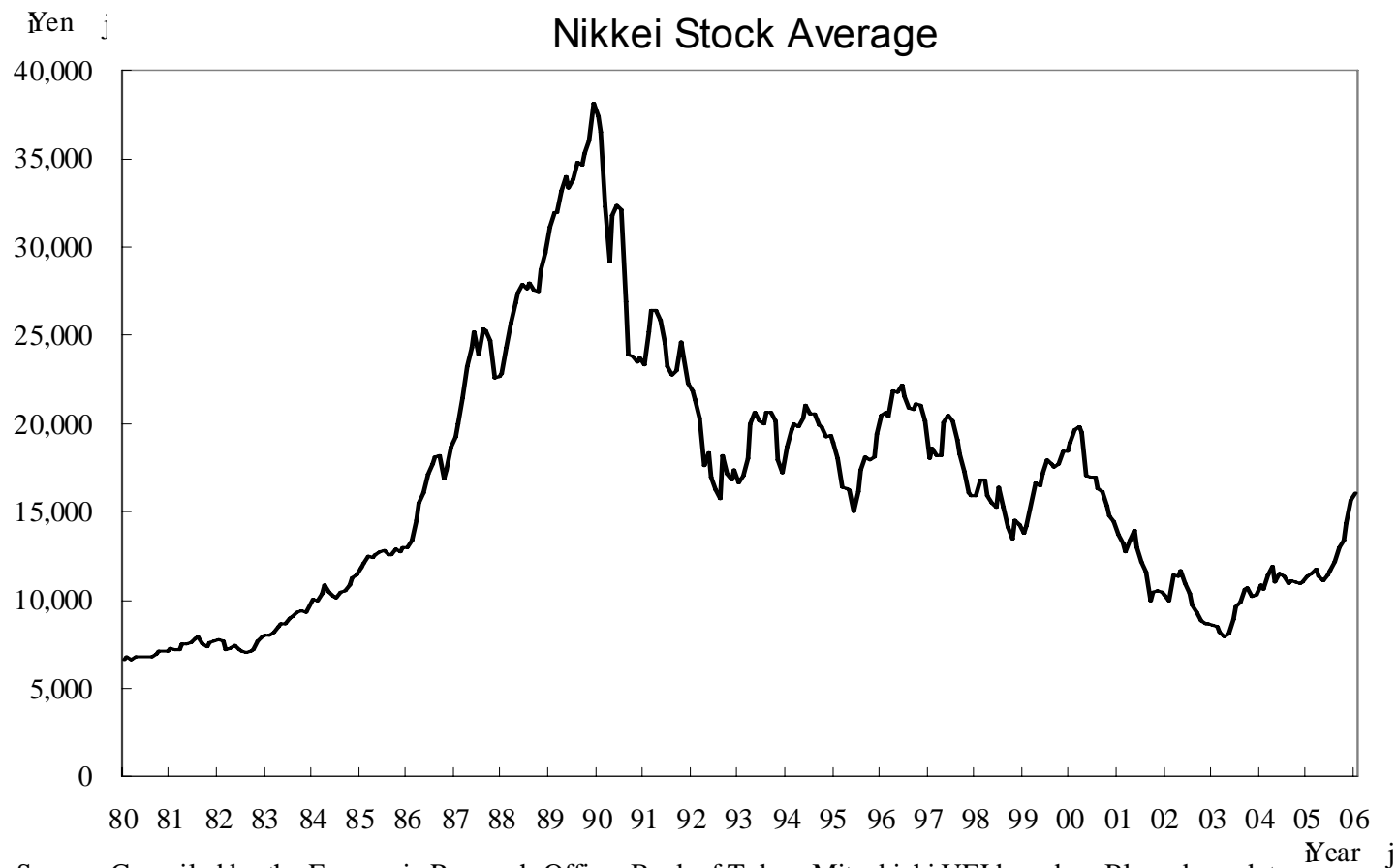


Note: Compensation of Employees: Three month moving average.

Sources: Compiled by the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ based on Ministry of Health, Labor and Welfare "Monthly Labor Statistics", Ministry of International Affairs and Communications, "Labor Force Survey", Cabinet Office "Synthetic Consumption Index".

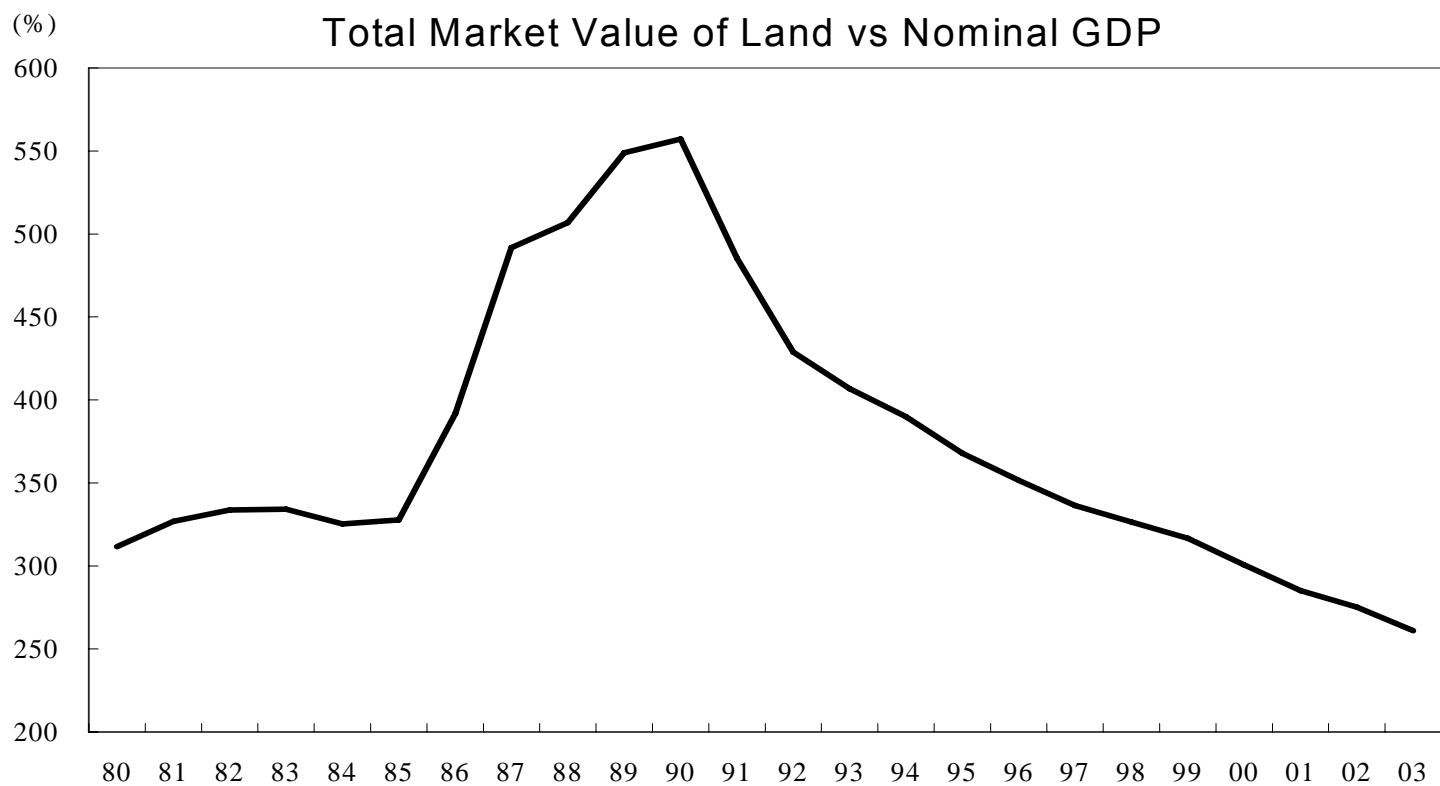
“Normalization” of Asset Values

(i) Strengthening rise in stock prices

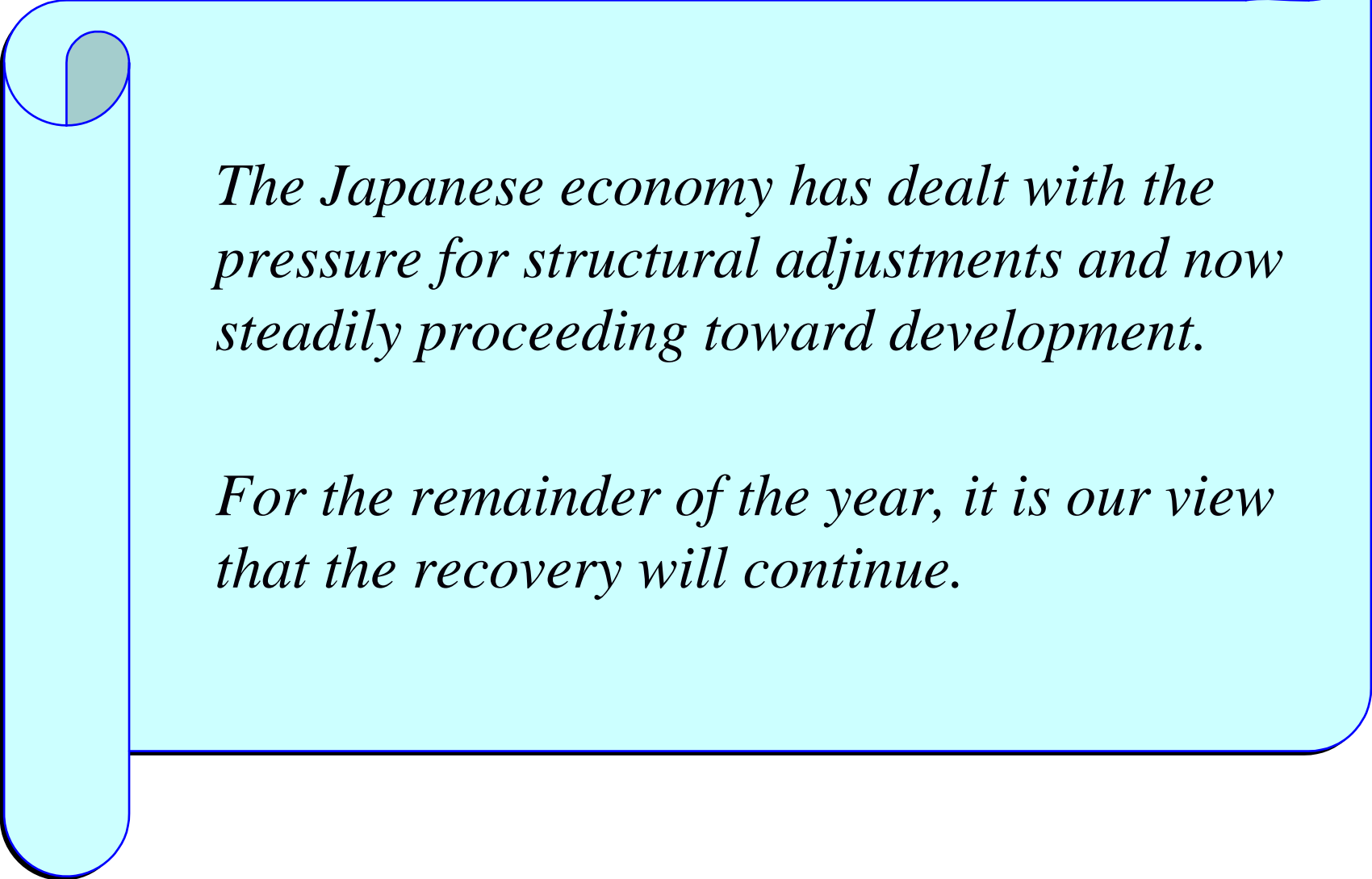


“Normalization” of Asset Values

(ii) Elimination of the sense of excessive land prices



Source: Compiled by the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ, based on Cabinet Office “National Accounts” Year j

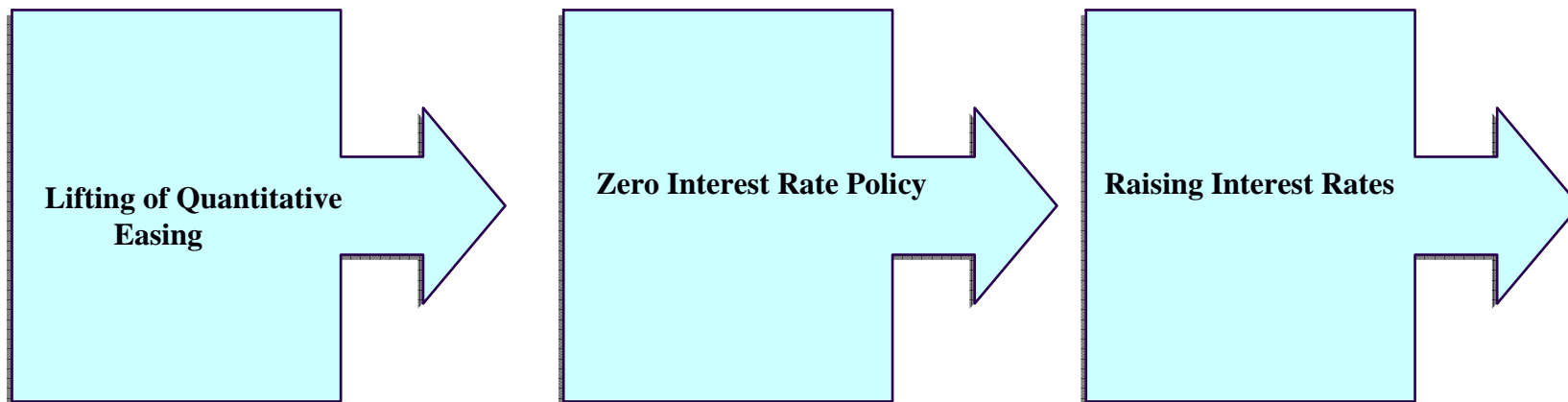


The Japanese economy has dealt with the pressure for structural adjustments and now steadily proceeding toward development.

For the remainder of the year, it is our view that the recovery will continue.

“Normalization” of Monetary Policy Coming into Sight

◆ Process of “normalizing” monetary policies



“Normalization” of the money flow facing a crucial period
Public financial institutions accounting for a high share of
deposits and loans

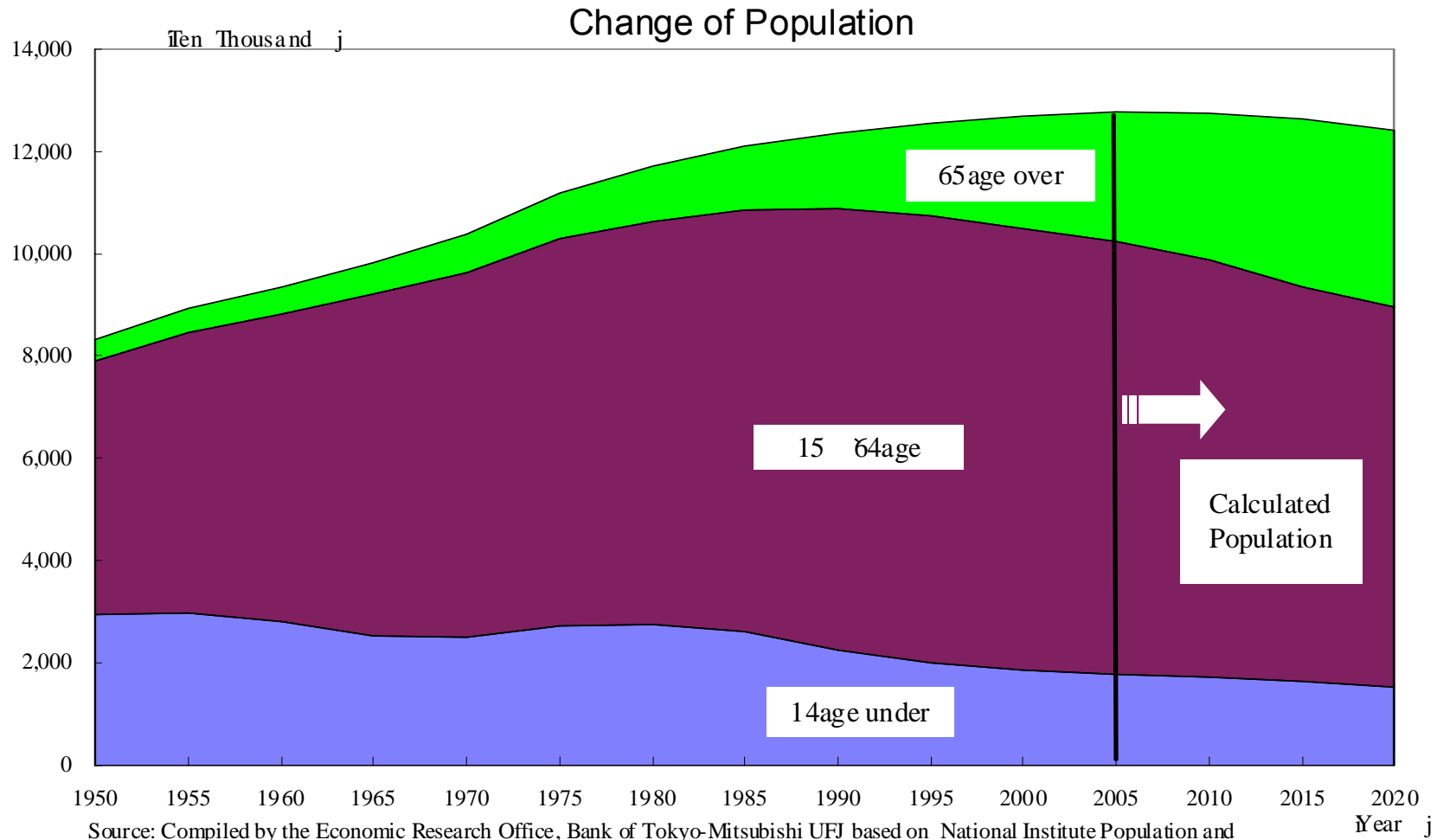
	Deposits		Loans	
Private Financial Institutions	Banks	553	Banks	445
	Other	348	Other	169
Postal Savings		219		4□□ □
Governmental Financial Institutions		-	Housing	52
			Other than Housing	98
Total		1,120		768

Share of Public Financial Institutions
 Deposits: 14% Loans: 20%

(□) Loans secured by
 deposits

Loans to local public entities

Changes in the Population Structure is a Medium-term Issue for Japan

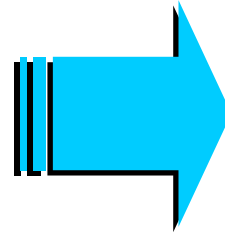


Anticipation of vitality of the Post-Retirement Baby-Boomers

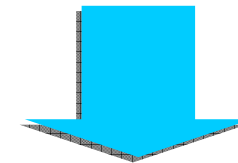
Enormous Retirement Allowances

Increased leisure time

Eager to try new things/
Sensitive to trends



Active Private Consumption



Domestic Demand Leads
Economic Recovery

Asian and Oceania Economic Outlook

Real GDP growth outlook

	nominal GDP	Actual GDP growth ratio						
	2004	(compared to previous year,%)						
	□US\$bil□	2004	2005	2006	2007	2008	2009	2010
China	1931.6	10.1	9.9	9.6	9.9	9.7	9.3	9.8
S.Korea	680.9	4.6	4.0	4.5	5.2	5.4	4.9	4.9
Taiwan	305.4	5.7	3.6	4.4	4.8	4.9	4.6	4.6
Hongkong	163.0	8.2	7.1	5.2	4.8	5.1	4.5	5.0
Singapore	106.8	8.8	6.0	5.4	5.7	4.9	4.3	4.6
Indonesia	257.6	5.1	5.4	5.1	5.5	5.8	5.9	6.0
Malaysia	118.3	7.1	5.3	5.6	5.8	5.5	5.4	5.5
Thailand	163.4	6.1	4.6	5.5	5.9	6.0	5.4	5.5
Philippine	84.6	6.0	5.1	4.8	5.0	5.2	4.9	4.8
India	624.6	7.5	7.7	7.3	7.5	7.0	7.3	7.5
Vietnam	45.3	7.8	8.4	8.3	8.2	8.2	8.0	7.9
Australia	616.8	3.2	2.6	3.1	3.4	3.4	3.2	3.1

(Source: BTMU Economic Research Office)

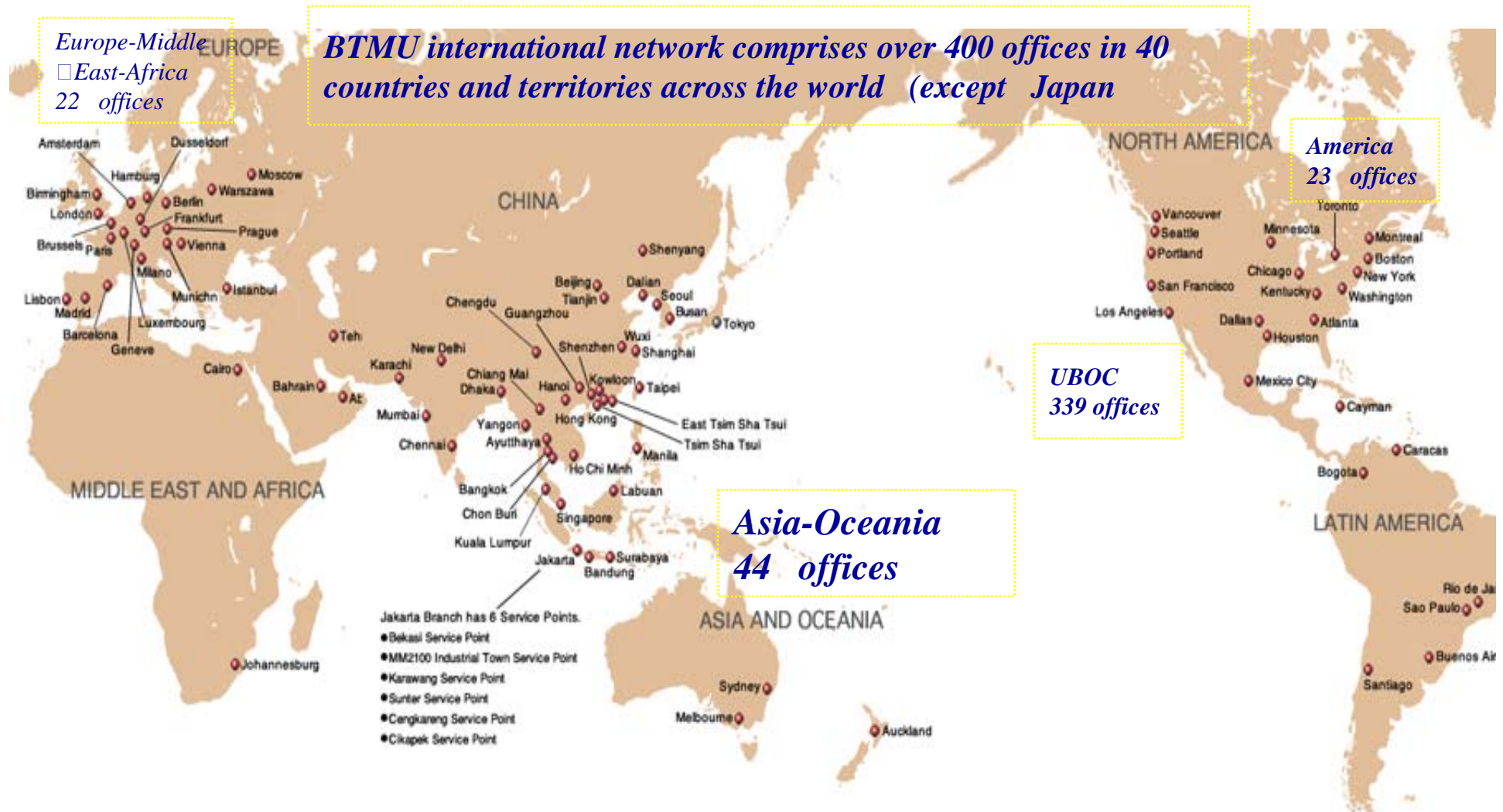
As a whole : Continue to grow through 2006

China and India : Steady expansion

NIEs and ASEAN: Fundamentals are solid and steady

Australia : Further moderate expansion

BTMU International Network



BTMU's business strategy in Asia & Oceania

China

- **Aggressive expansion**
- **Positioned top tier amongst foreign banks**

Other Asia and Oceania

- **Identify new opportunities**
- **Broaden focus to Non-Japanese corporations**
- **Lending target :**
Non-Japanese > Japanese (within 5 years)

MUFG's business strategy

MUFG Group subsidiaries

- **Bank of Tokyo-Mitsubishi UFJ**
 - **Mitsubishi UFJ Trust Bank (Trust Banking)**
 - **Mitsubishi UFJ Securities (Securities Business)**
 - **ACOM (Consumer Finance)**
 - **UFJ NICOS (Credit Card)**
-
- ◆ **Put together expertise and skills within group**
 - ◆ **Develop all-round financial services**

BTMU's business strategy in Australia

Australian Market

- **Steady economic growth expected**
- **Continuous Project Finance /Infrastructure opportunities**

BTMU's target

- **Take advantage of solid Asian and Oceania network**
- **Utilize huge retail customer base in Japan**