

**Mitsubishi UFJ Financial Group**

# **Fiscal 2011 Interim Results Presentation**

**November 18, 2011**

Quality for You



**MUFG**

This document contains forward-looking statements in regard to forecasts, targets and plans of Mitsubishi UFJ Financial Group, Inc. (“MUFG”) and its group companies (collectively, “the group”). These forward-looking statements are based on information currently available to the group and are stated here on the basis of the outlook at the time that this document was produced. In addition, in producing these statements certain assumptions (premises) have been utilized. These statements and assumptions (premises) are subjective and may prove to be incorrect and may not be realized in the future. Underlying such circumstances are a large number of risks and uncertainties. Please see other disclosure and public filings made or will be made by MUFG and the other companies comprising the group, including the latest kessantanshin, financial reports, Japanese securities reports and annual reports, for additional information regarding such risks and uncertainties. The group has no obligation or intent to update any forward-looking statements contained in this document.

In addition, information on companies and other entities outside the group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by the group and cannot be guaranteed.

The financial information used in this document was prepared in accordance with accounting standards generally accepted in Japan, or Japanese GAAP.

#### Definitions of figures used in this document

<b>Consolidated</b>	Mitsubishi UFJ Financial Group (consolidated)
<b>Non-consolidated</b>	Bank of Tokyo-Mitsubishi UFJ (non-consolidated) + Mitsubishi UFJ Trust and Banking Corporation (non-consolidated) (without any adjustments)
<b>Commercial bank consolidated</b>	Bank of Tokyo-Mitsubishi UFJ (consolidated)

## Outline of FY2011 Interim Results

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## **Outline of FY2011 Interim Results**

**Future growth**

# FY2011 interim key points



- **Recorded highest interim net income since MUFG was established**

- Interim net income totaled ¥696.0 bn with Morgan Stanley negative goodwill of ¥290.6 bn
- Even excluding negative goodwill, interim net income was ¥405.4 bn, up ¥48.6 bn y-o-y
- Primary factors included strong performance from the Global market segment and low level of credit expenses

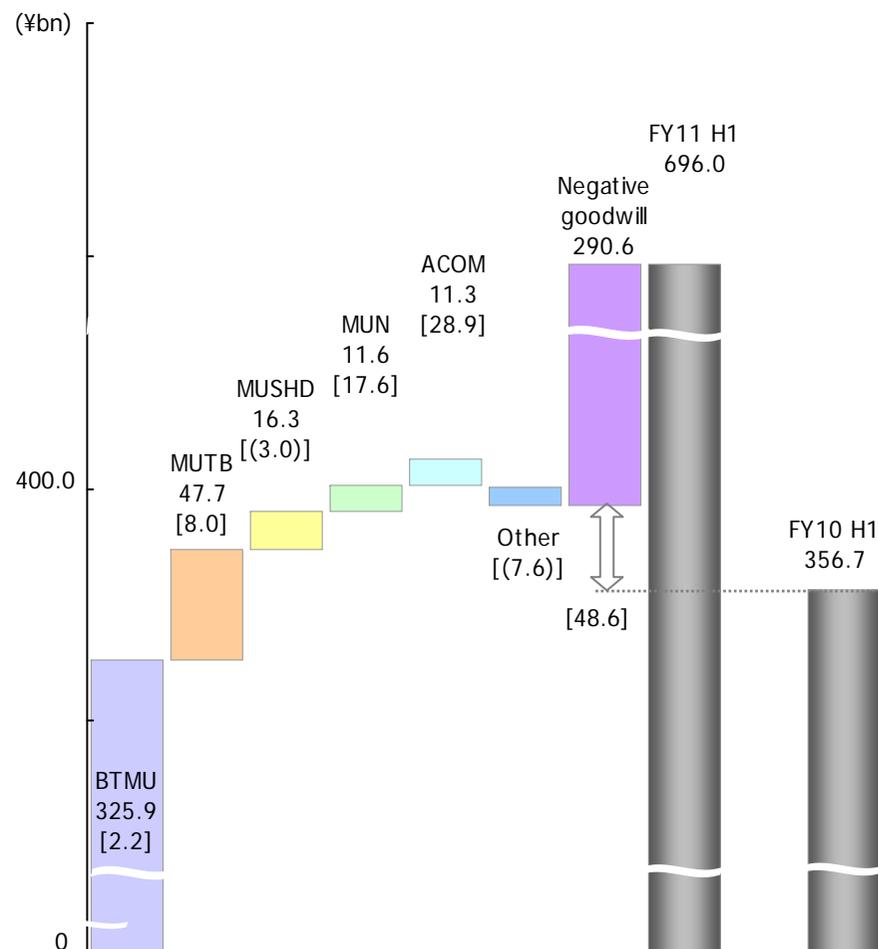
- **Steady recovery of subsidiaries**

- MUSHD, MU NICOS and ACOM returned to profit after recording large losses in the previous fiscal year

- **Poised for further growth**

- Morgan Stanley became an affiliated company under equity method accounting
- Opened new branches in Asia
- Transfer of RBS project finance assets is nearly complete

## Breakdown of net income\*1



\*1 The above figures take into consideration the percentage holding in each subsidiary (after-tax basis) and figures in brackets [] are the change compared to FY10 H1.

# FY11 H1 summary (Income statement)

(Consolidated) 

## ● Net business profits

- Gross profits decreased mainly due to lower deposit spread, consumer-finance income and less dividend on preferred stock, partially offset by an increase in net gains on sales of debt securities
- Net business profits decreased, despite a decrease in G&A expenses, reflecting the progress in an ongoing intensive corporate-wide cost reduction

## ● Total credit costs

- Significantly decreased mainly due to a decrease in losses on loan write-off and a reversal of provision for credit losses

## ● Net losses on equity securities

- Increased mainly due to higher losses on write-down of equity securities, reflecting weak stock performance in stock market

## ● Other non-recurring gains (losses)

- Significantly increased due to the negative goodwill of ¥290.6bn, recorded as a result of equity method accounting for our investment in Morgan Stanley, decrease in provision for interest repayments by ¥59.2 bn

## ● Net income

- Increased even without one-time effect of negative goodwill

Reference (¥)	FY10 H1	FY11 H1	Change
EPS	24.60	48.58	23.99
ROE <sup>*4</sup>	8.51%	12.52%	4.00%

\*4 The one-time impact of Morgan Stanley becoming an equity-method affiliate of MUFG is adjusted

$$\frac{\text{Net income} \times 2 - \text{Equivalent of annual dividends on nonconvertible preferred stocks}}{((\text{Total shareholders' equity at the beginning of the period} - \text{Number of nonconvertible preferred stocks at the beginning of the period}) \times \text{Issue price} + \text{Foreign currency translation adjustments at the beginning of the period})} \times 100$$

$$^* \frac{((\text{Total shareholders' equity at the end of the period} - \text{Number of nonconvertible preferred stocks at the end of the period}) \times \text{Issue price} + \text{Foreign currency translation adjustments at the end of the period})}{2}$$

## Income statement (¥bn)

(Consolidated)	FY10 H1	FY11 H1	Change
1 Gross profits (before credit costs for trust accounts)	1,870.7	1,789.8	(80.8)
2 Net interest income	1,009.3	907.8	(101.5)
3 Trust fees+Net fees and commissions	524.7	523.3	(1.4)
4 Net trading profits +Net other business profits	336.6	358.7	22.1
5 Net gains (losses) on debt securities	170.7	221.5	50.7
6 G&A expenses	1,018.8	990.1	(28.6)
7 Net business profits	851.8	799.7	(52.1)
8 Credit costs <sup>*1</sup>	(190.4)	(82.0)	108.3
9 Net gains (losses) on equity securities	(27.3)	(96.7)	(69.4)
10 Other non-recurring gains (losses) <sup>*2</sup>	(91.9)	337.8	429.8
11 Ordinary profits	542.0	958.6	416.5
12 Net extraordinary gains (losses)	6.9	4.4	(2.5)
13 Total of income taxes-current and income taxes-deferred	(184.8)	(209.3)	(24.5)
14 Minority interests	(7.4)	(57.6)	(50.2)
15 Net income (losses)	356.7	696.0	339.3
16 Total credit costs <sup>*3</sup>	(153.0)	(28.6)	124.3
(Non-consolidated)	FY10 H1	FY11 H1	Change
17 Gross profits (before credit costs for trust accounts)	1,215.4	1,216.9	1.5
18 G&A expenses	594.6	588.4	(6.1)
19 Net business profits	620.7	628.4	7.6
20 Ordinary profits	457.2	480.6	23.4
21 Income before income taxes	460.1	478.9	18.7
22 Net income (losses)	323.8	317.9	(5.9)
23 Total credit costs <sup>*3</sup>	(38.2)	(0.5)	37.7

\*1 Credit costs for trust accounts + Provision for general allowance for credit losses + Credit costs (included in non-recurring gains/losses)

\*2 Included Profits (losses) from investments in affiliates, provision for losses on interest repayment, Reversal of allowance for credit losses, Reversal of reserve for contingent losses included in credit costs and Gains on loans written-off. Reversal of allowance for credit losses, Reversal of reserve for contingent losses included in credit costs and Gains on loans written-off were recorded in Net extraordinary gains (losses) at FY10 H1

\*3 Credit costs + Reversal of allowance for credit losses + Reversal of reserve for contingent losses included in credit costs + Gains on loans written-off

Please see pages 10-24 of the MUFG Databook

# FY2011 financial targets

(Consolidated/Non-consolidated)



- FY2011 net income targets revised to ¥900.0bn, higher than targets announced on May 16, 2011

## <Financial Targets>

### <Consolidated>

	FY10		FY11		Difference compared to previous targets
	Interim (Results)	Full year (Results)	Interim (Results)	Full year (Targets)	
1 Ordinary profits	¥542.0 bn	¥646.4 bn	¥958.6 bn	¥1,450.0 bn	+ 380.0 bn
2 Net income	¥356.7 bn	¥583.0 bn	¥696.0 bn	¥900.0 bn	+ 300.0 bn
3 Net income (w/o MS negative goodwill)	-	-	¥405.4 bn	-	-
4 Total credit costs	¥153.0 bn	¥354.1 bn	¥28.6 bn	¥170.0 bn	¥(110.0) bn

### <Non-consolidated>

5 Net business profits	¥620.7 bn	¥1,156.9 bn	¥628.4 bn	¥1,130.0 bn	+ 110.0 bn
6 Ordinary profits	¥457.2 bn	¥762.6 bn	¥480.6 bn	¥835.0 bn	¥75.0 bn
7 Net income	¥323.8 bn	¥714.7 bn	¥317.9 bn	¥490.0 bn	unchanged
8 Total credit costs	¥38.2 bn	¥174.2 bn	¥0.5 bn	¥80.0 bn	¥(75.0) bn

(Note) Total credit costs include gains on loans written-off

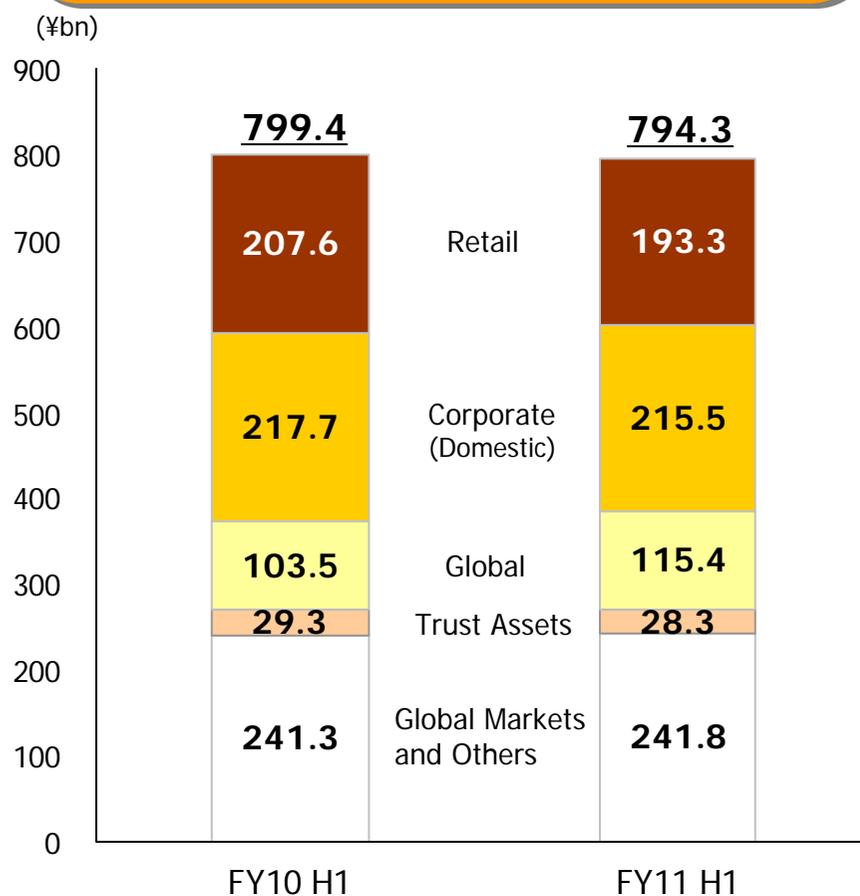
# Outline of results by business segment

(Consolidated)



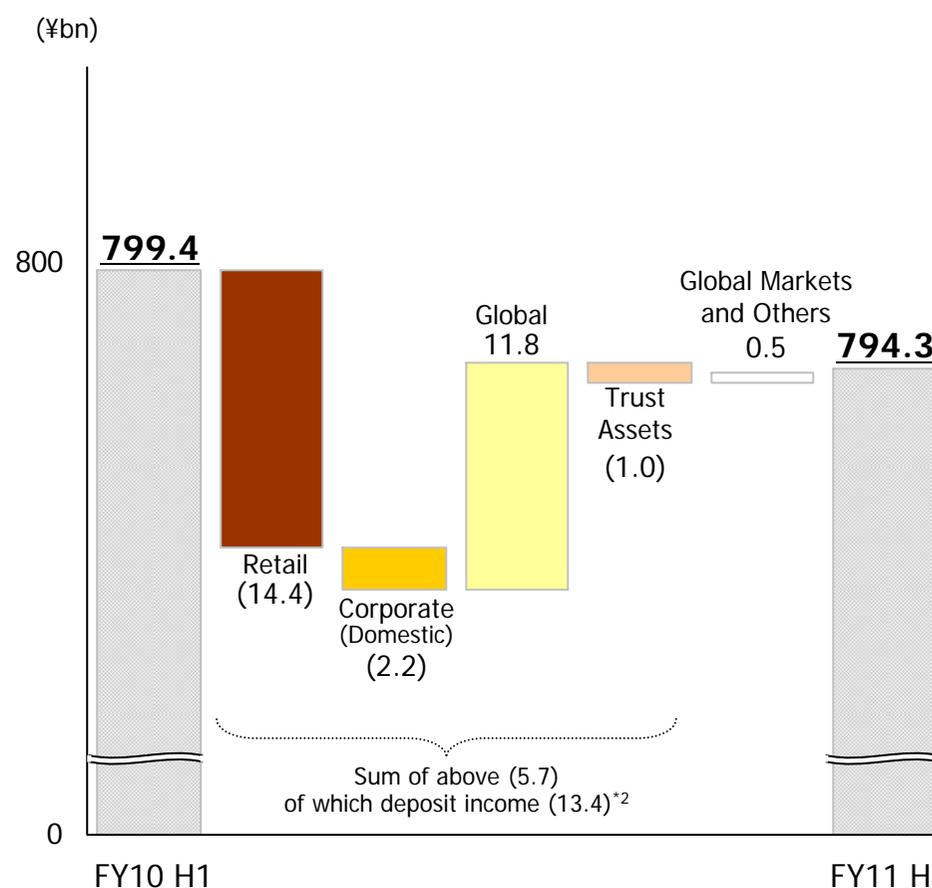
- Net operating profits remained almost flat compared to FY10 H1. Higher net operating profits from “Global” and “Global Markets” were offset by “Retail”, “Corporate” and “Trust Assets” due to decrease in net interest income

## Net operating profits by segment\*1



\*1 Consolidated net business profits on a managerial accounting basis

## Breakdown of changes in net operating profits



\*2 Deposit income is non-consolidated figures

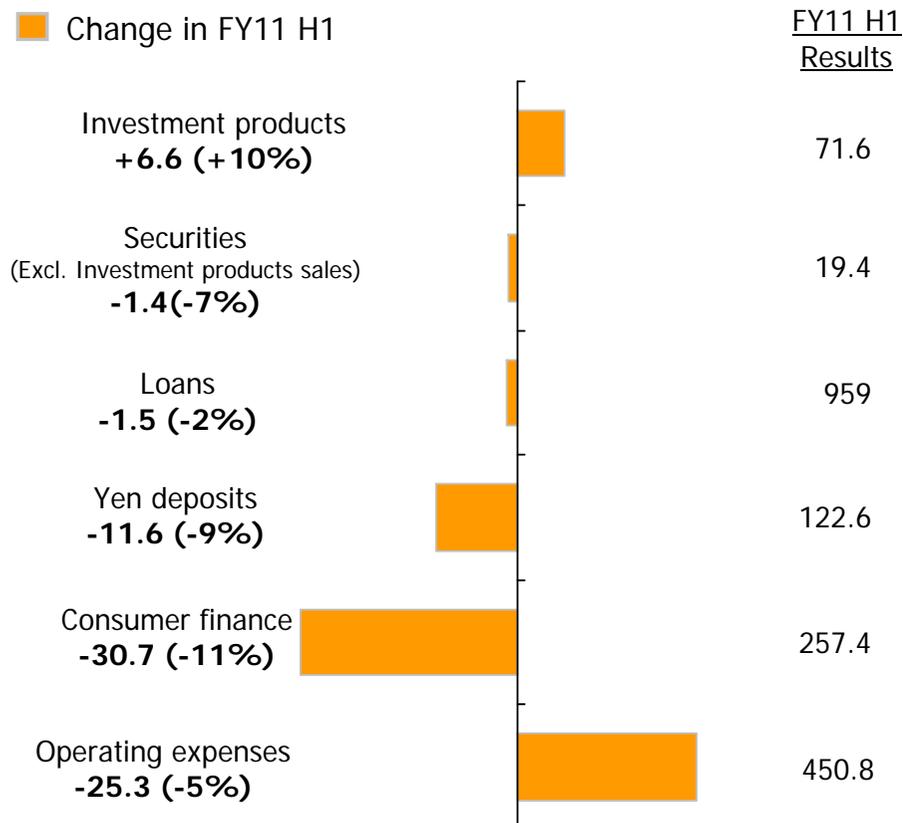
Please see page 44 of the MUFG Databook

● **Net operating profits ¥193.3 bn, down ¥14.4 bn from FY10 H1**

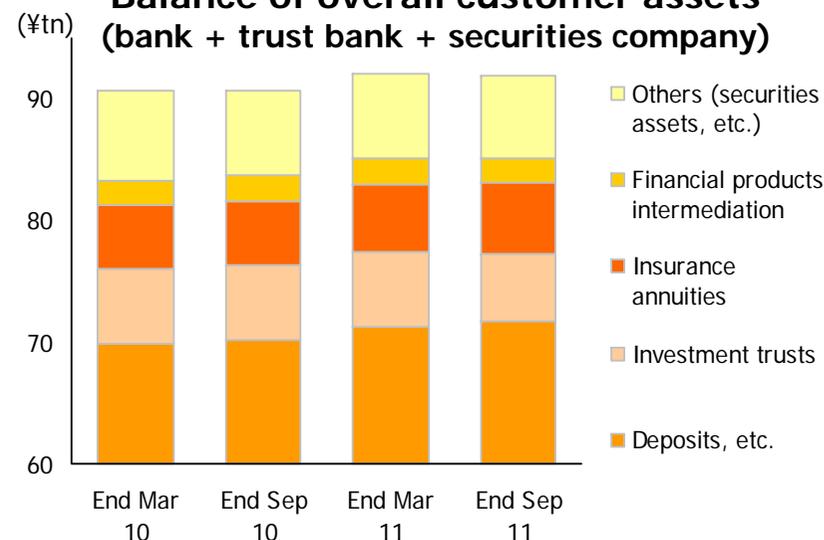
— Sales of investment products were strong, while revenues from consumer finance and yen deposits decreased

## Change in net operating profits

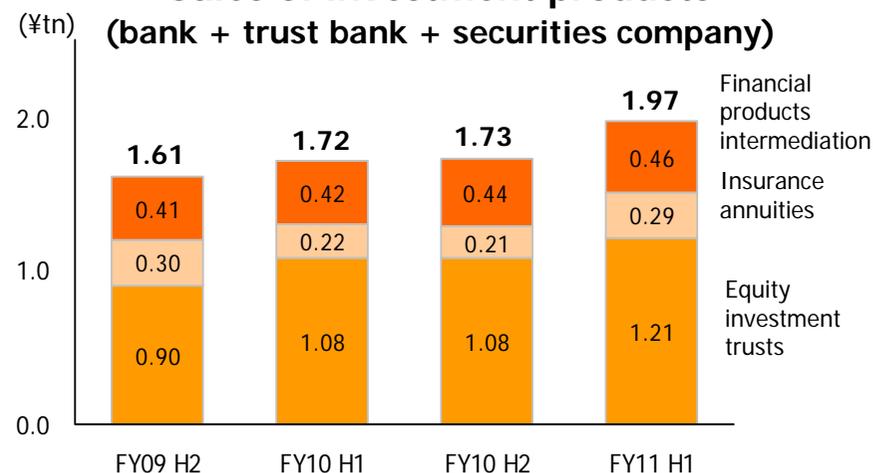
**FY11 H1 ¥193.3 bn (down ¥14.4 bn from FY10 H1)**



## Balance of overall customer assets (bank + trust bank + securities company)



## Sales of investment products (bank + trust bank + securities company)

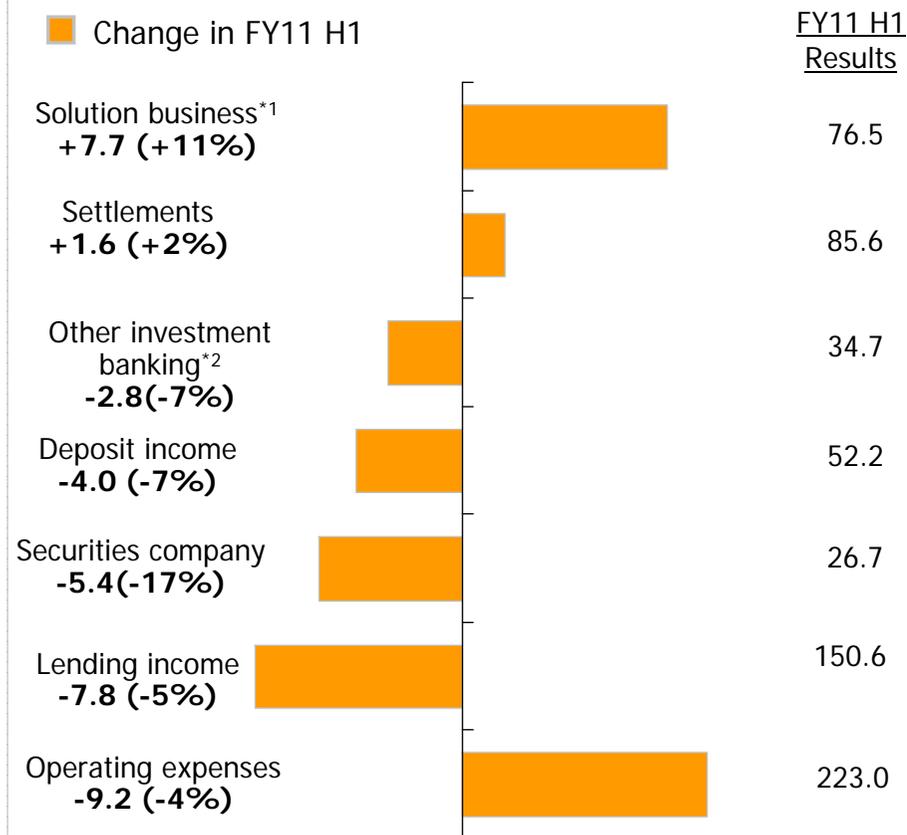


● **Net operating profits ¥215.5 bn, down ¥2.2 bn from FY10 H1**

— Solutions and settlement businesses were strong but lending income decreased

## Change in net operating profits

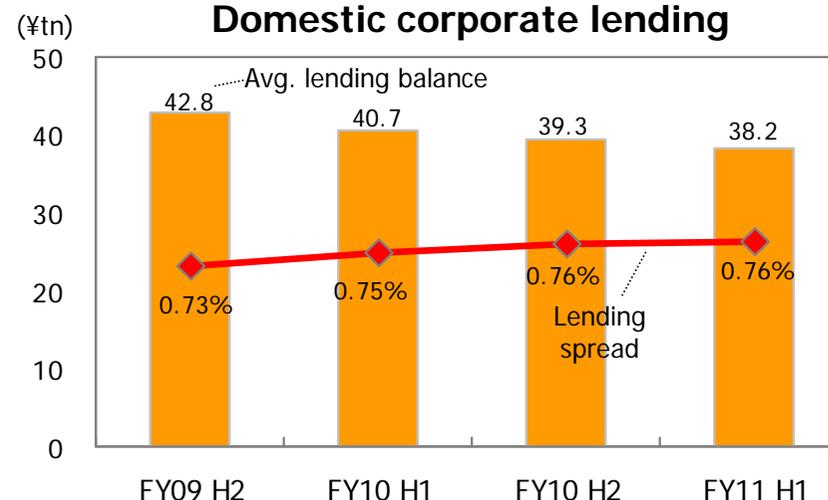
**FY11 H1 ¥215.5 bn (down ¥2.2 bn from FY10 H1)**



\*1 Structured finance, securitization and domestic syndicated loans

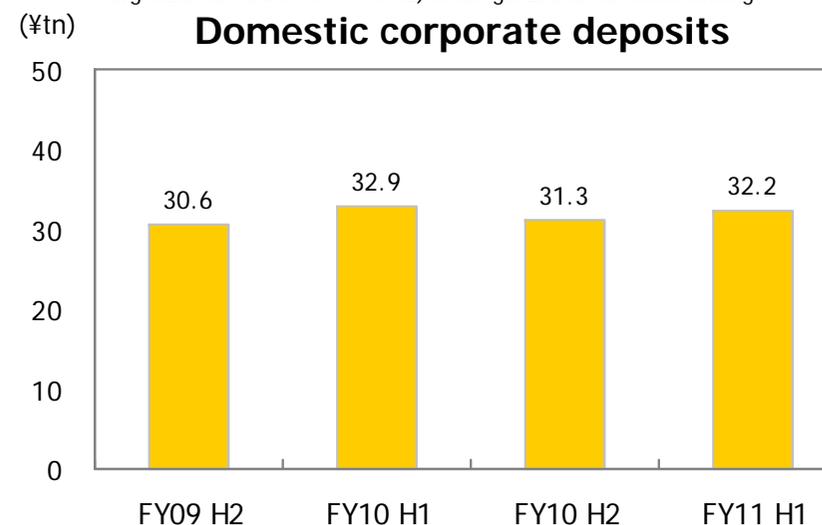
\*2 Customer derivatives, underwriting, etc.

## Domestic corporate lending



(Note) For internal managements purposes, overseas lending of MUTB (approximately avg. balance ¥0.8 tn on FY10 H2) is categorized as domestic lending

## Domestic corporate deposits



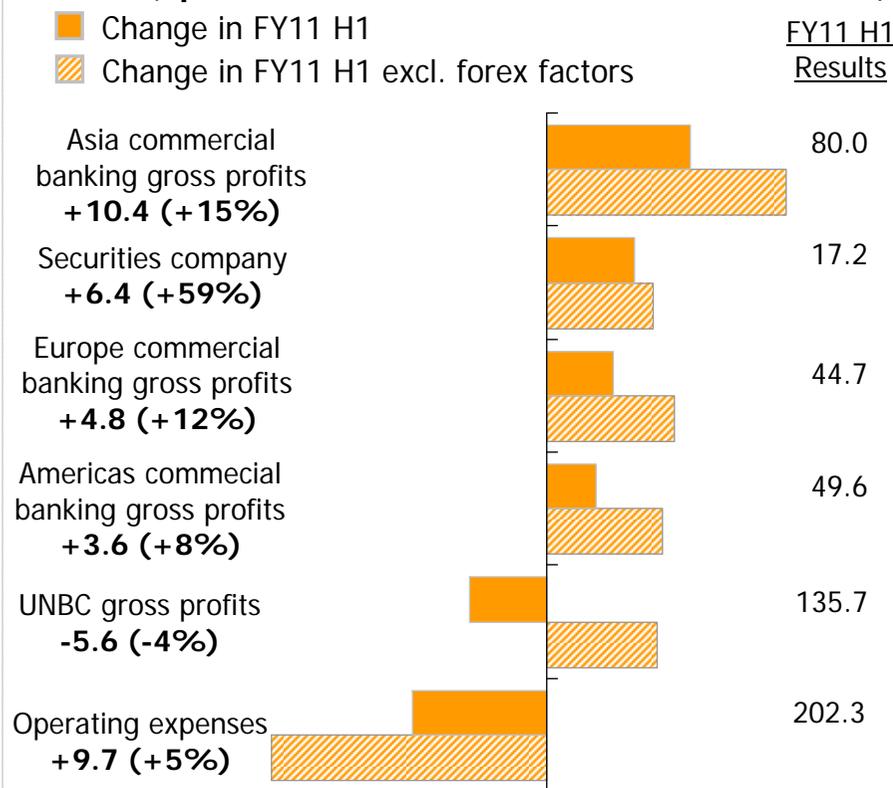
● **Net operating profits ¥115.4 bn, up ¥11.8 bn from FY10 H1 (up ¥28.5 bn if excluding forex factors)**

— Asia, Americas, Europe commercial banking were strong. Lending increased strongly

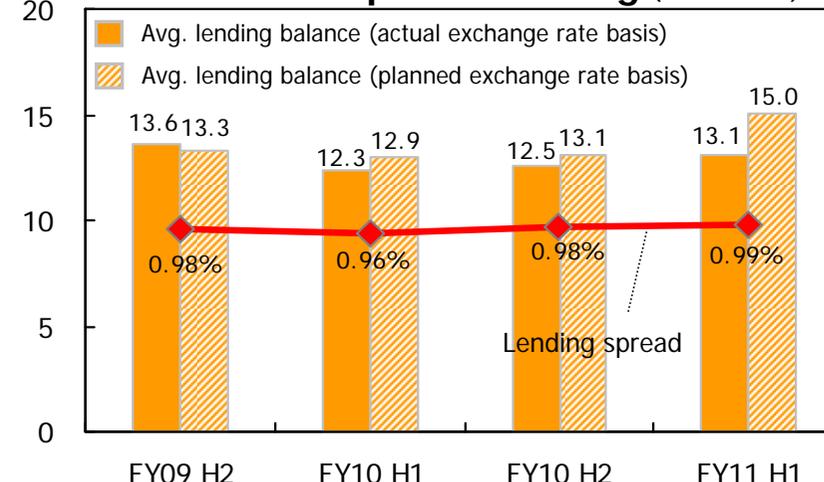
## Change in net operating profits

**FY11 H1 ¥115.4 bn (up ¥11.8 bn from FY10 H1)**

**(up ¥28.5 bn from FY10 H1 excl. forex factors)**

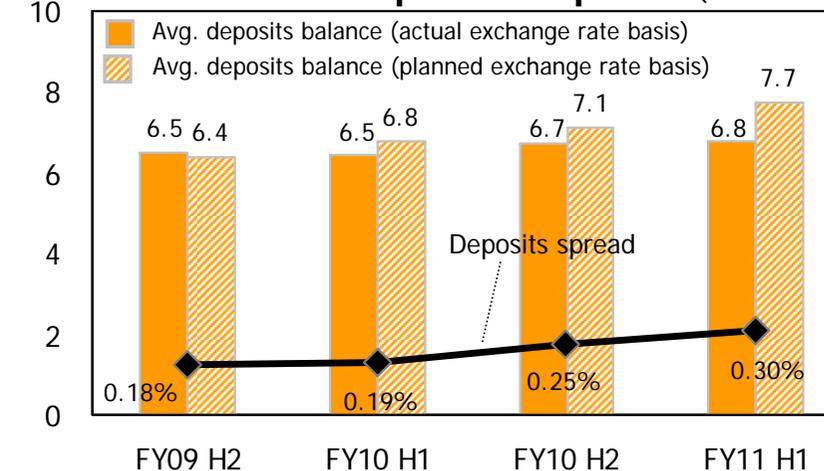


## Overseas corporate lending (Excl. UNBC)



(Note) For internal managements purposes, overseas lending of MUTB (approximately avg. balance ¥0.8 tn on FY10 H2) is categorized as domestic lending

## Overseas corporate deposits (Excl. UNBC)



● **Net operating profits ¥28.3 bn, down ¥1.0 bn from FY10 H1**

— Global custody business was well, but investment management profits decreased

## Change in net operating profits

**FY11 H1 ¥28.3 bn (down ¥1.0 bn from FY10 H1)**

Change in FY11 H1

Global custody  
+0.9 (+22%)

Pensions  
+0.4 (+1%)

Investment trust  
administration  
-0.2 (-3%)

Other trust assets  
-0.2 (-3%)

Investment trust  
management  
-1.4 (-4%)

Operating expenses  
+0.4 (+1%)

FY11 H1  
Results

5.0

29.5

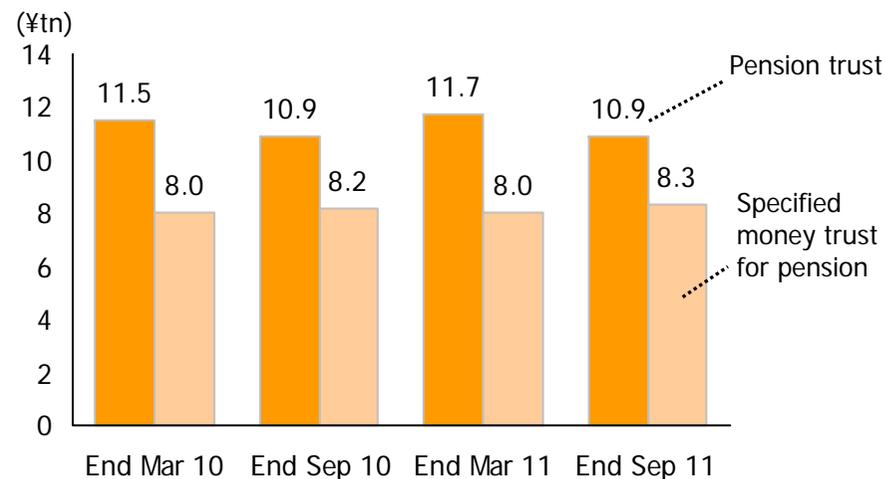
6.7

7.4

28.9

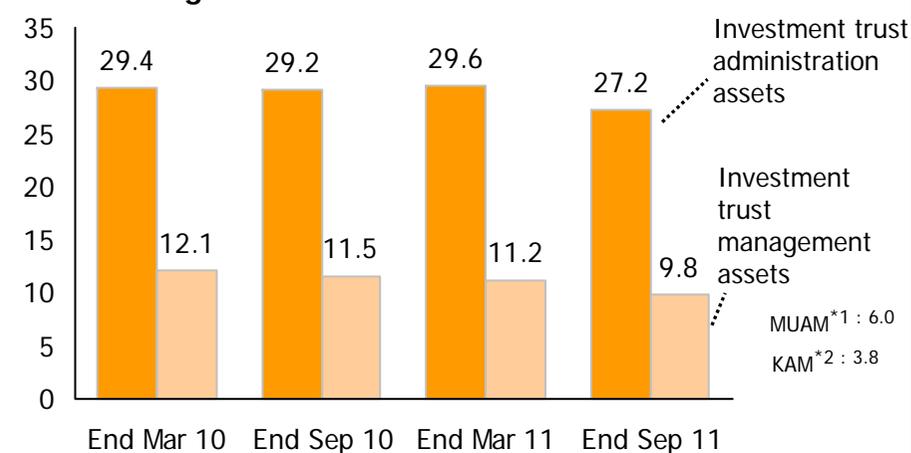
49.1

## Pensions balance



## Investment trusts:

### Management/Administration asset balances



\*1 MUAM: Mitsubishi UFJ Asset Management

\*2 KAM: KOKUSAI Asset Management

## ● Loans

- Decreased from End Mar 11, mainly due to lower domestic corporate loans, partially offset by an increase in overseas loans

## ● Investment securities

- Increased from End Mar 11, mainly due to an increase in Japanese government bonds and foreign bonds

## ● Deposits

- Decreased from End Mar 11, mainly due to less deposits from corporate, partially offset by an increase in individual and overseas branch deposits

## ● Total net assets

- Increased from End Mar 11, mainly due to an increase in retained earnings

## ● Non performing loans ( "NPLs" )

- NPLs and NPL ratio slightly up from End Mar 11, but keeping at a low level

## ● Net unrealized gains (losses) on securities available for sale

- Improved from End Mar 11, mainly due to increases in net unrealized gains on Japanese government bonds and foreign bonds

Balance sheet (¥bn)		End Mar 11	End Sep 11	Change from End Mar 11
1	Total assets	206,227.0	215,947.1	9,720.0
2	Loans(Banking+Trust accounts)	80,142.3	79,664.6	(477.6)
3	Loans(Banking accounts)	79,995.0	79,511.4	(483.5)
4	Domestic corporate loans <sup>*1</sup>	43,916.9	43,083.8	(833.1)
5	Housing loans <sup>*1</sup>	17,300.6	16,982.7	(317.8)
6	Overseas loans <sup>*2</sup>	16,422.1	17,140.7	718.5
7	Investment securities (banking accounts)	71,023.6	75,574.1	4,550.5
8	Japanese government bonds	44,941.8	47,262.9	2,321.0
9	Total liabilities	195,412.6	204,612.4	9,199.7
10	Deposits	124,144.3	121,582.5	(2,561.7)
11	Individual deposits (Domestic branches)	64,384.6	64,876.7	492.1
12	Total net assets	10,814.4	11,334.7	520.3
13	Deposit/lending spread (Domestic, non-consolidated)	FY10 H2 1.30%	FY11 H1 1.27%	Change from FY10 H2 (0.03pt)
14	FRL disclosed loans <sup>*1*3</sup>	1,430.7	1,463.9	33.1
15	NPL ratio <sup>*1</sup>	1.68%	1.74%	0.06pt
16	Net unrealized gains(losses) on securities available for sale	327.6	390.2	62.6

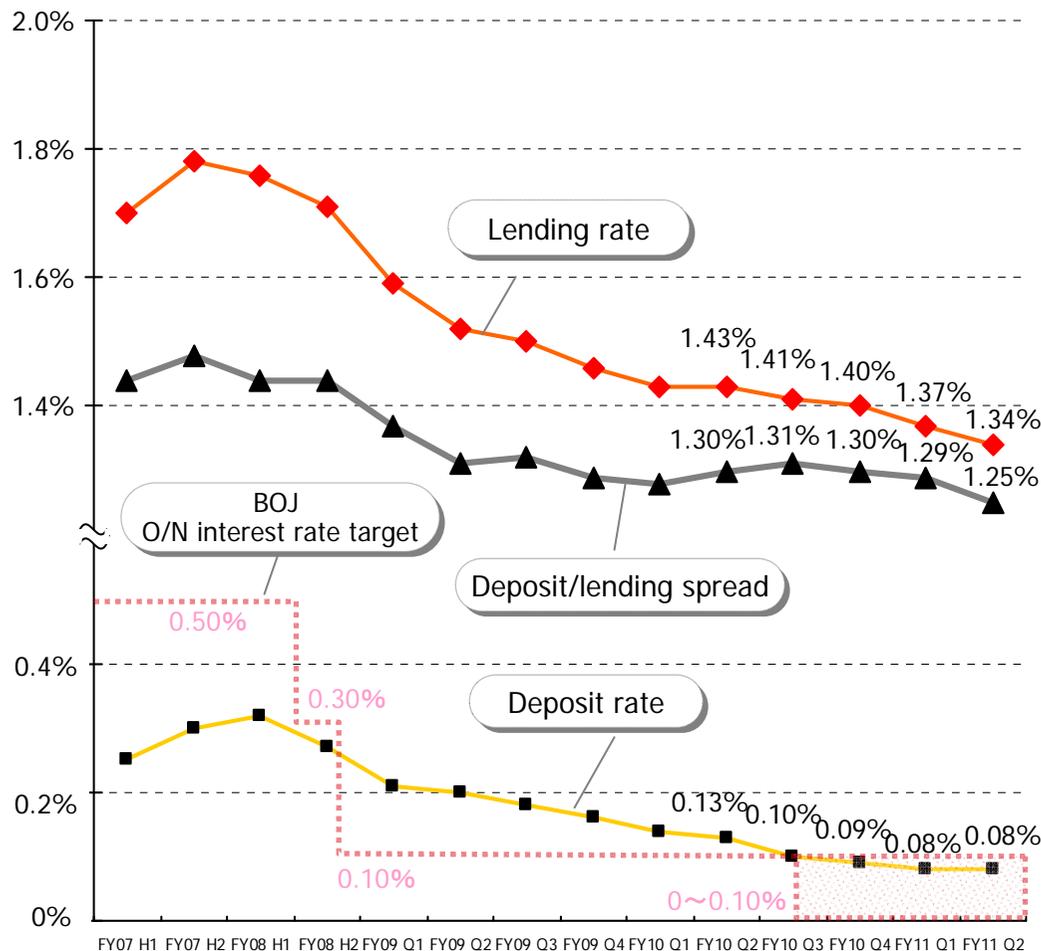
\*1 Non-consolidated+trust accounts

\*2 Loans booked in overseas branches, UnionBanCal Corporation and BTMU(China)

\*3 FRL=the Financial Reconstruction Law

- Deposit/lending spread in FY11 Q2 slightly decreased mainly due to a decrease in lending rate

## Changes in domestic deposit/lending rates (non-consolidated)



## Interest rate changes

- November 4, 2008  
Interest rate on ordinary deposits: 0.200% ⇒ 0.120%
- November 20, 2008  
Short-term prime rate: 1.875% ⇒ 1.675%
- December 22, 2008  
Interest rate on ordinary deposits: 0.120% ⇒ 0.040%
- January 13, 2009  
Short-term prime rate: 1.675% ⇒ 1.475%
- April 1, 2009  
Variable rate on new housing loans :  
⇒ Changed based on the long-term lending rate linked to short-term prime rate as of March 1
- July 1, 2009  
Variable rate on existing housing loans :  
⇒ Changed based on the long-term lending rate linked to short-term prime rate as of April 1
- September 6, 2010  
Interest rate on ordinary deposits: 0.040% ⇒ 0.020%

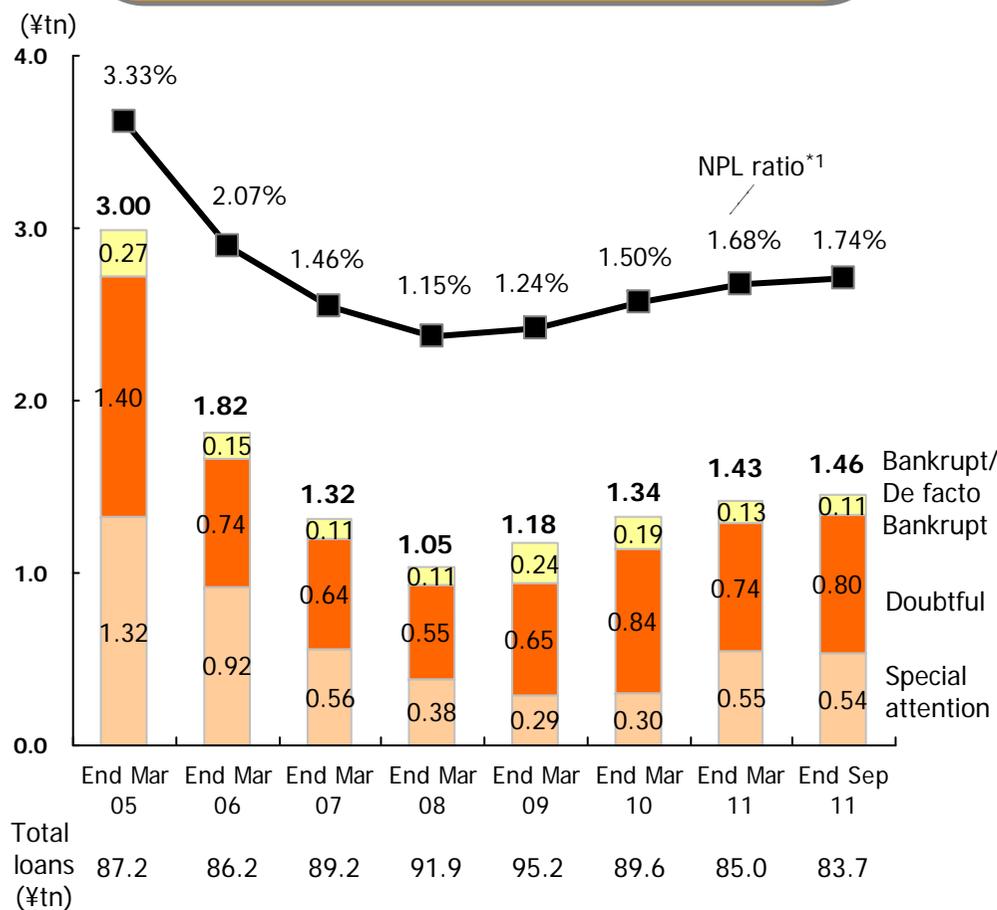
# Loan assets

(Consolidated/Non-consolidated)



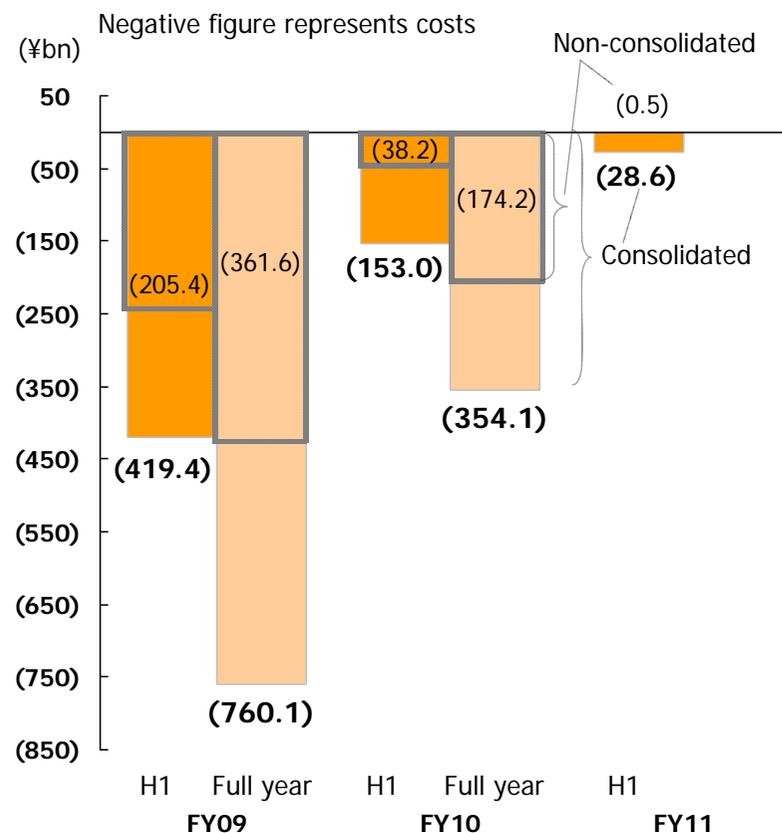
- NPL ratio increased 0.06% from End Mar 11 to 1.74%, but keeping at a low level
- Total credit costs significantly decreased to ¥0.5 bn for Non-consolidated, and ¥28.6 bn for Consolidated

## Balance of FRL disclosed loans (Non-consolidated)



\*1 Non performing loans / Total loans

## Total credit costs\*2



\*2 Figures included gains on loans written-off

Please see pages 66-68 of the MUFG Databook

# Holdings of investment securities

(Consolidated)

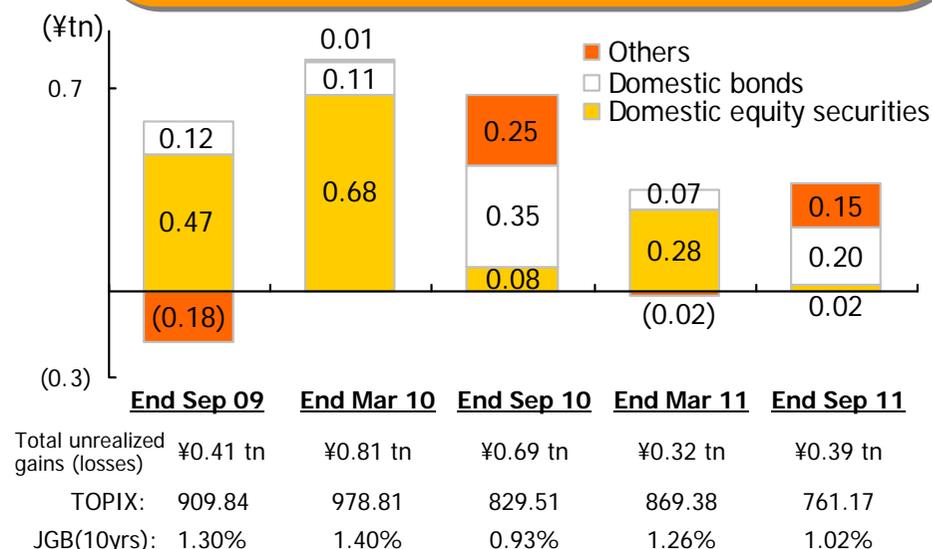


- Total unrealized gains (losses) on securities available for sale increased by ¥62.6 bn from End Mar 11
- An increase in unrealized gains on Japanese government bonds and foreign bonds, partially offset by a decrease in those on domestic equity securities

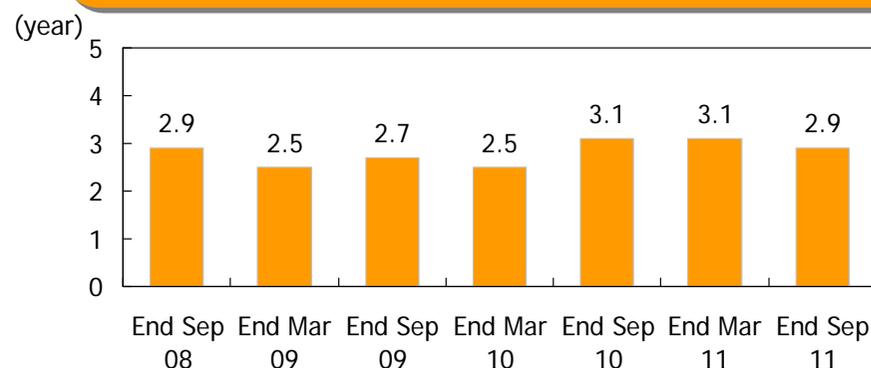
## Breakdown of securities available for sale (with market value)

1	2	3	4	5	6	7	8	Balance		Unrealized gains(losses)	
								End Sep 11	Change from End Mar 11	End Sep 11	Change from End Mar 11
1	Total	71,779.6	4,581.1	390.2	62.6						
2	Domestic equity securities	3,116.2	(450.0)	23.1	(258.1)						
3	Domestic bonds	50,588.6	2,490.1	209.7	138.9						
4	Government bonds	46,637.8	2,663.3	141.2	117.2						
5	Others	18,074.7	2,541.0	157.3	181.8						
6	Foreign equity securities	134.2	(147.9)	18.4	(65.2)						
7	Foreign bonds	16,313.6	2,676.1	253.1	299.9						
8	Others	1,626.8	12.8	(114.2)	(52.8)						

## Unrealized gains (losses) on securities available for sale



## JGB Duration\*1



Please see page 69 of the MUFG Databook

\* 1 Non-consolidated

# Capital (based on Basel 2)

(Consolidated)



See page 37 for capital based on Basel 3

## ● Total capital

■ Tier1 increased ¥517.6 bn from End Mar 11 mainly due to an increase in retained earnings partially offset by lower minority interests such as redemption of preferred securities

■ Total capital decreased ¥696.0 bn from End Mar 11 due to a decrease in Tier2 mainly due to lower subordinated debt, and an increase in deductions from total qualifying capital reflecting an application of equity method accounting for our investment in Morgan Stanley

## ● Risk-adjusted assets

■ Decreased ¥7,528.0 bn from End Mar 11 mainly due to a decrease in lower loans, downturn of stock market, appreciation of the yen, and elimination from credit risk of investment to Morgan Stanley

## ● Capital ratio

■ Capital ratio : 15.42%

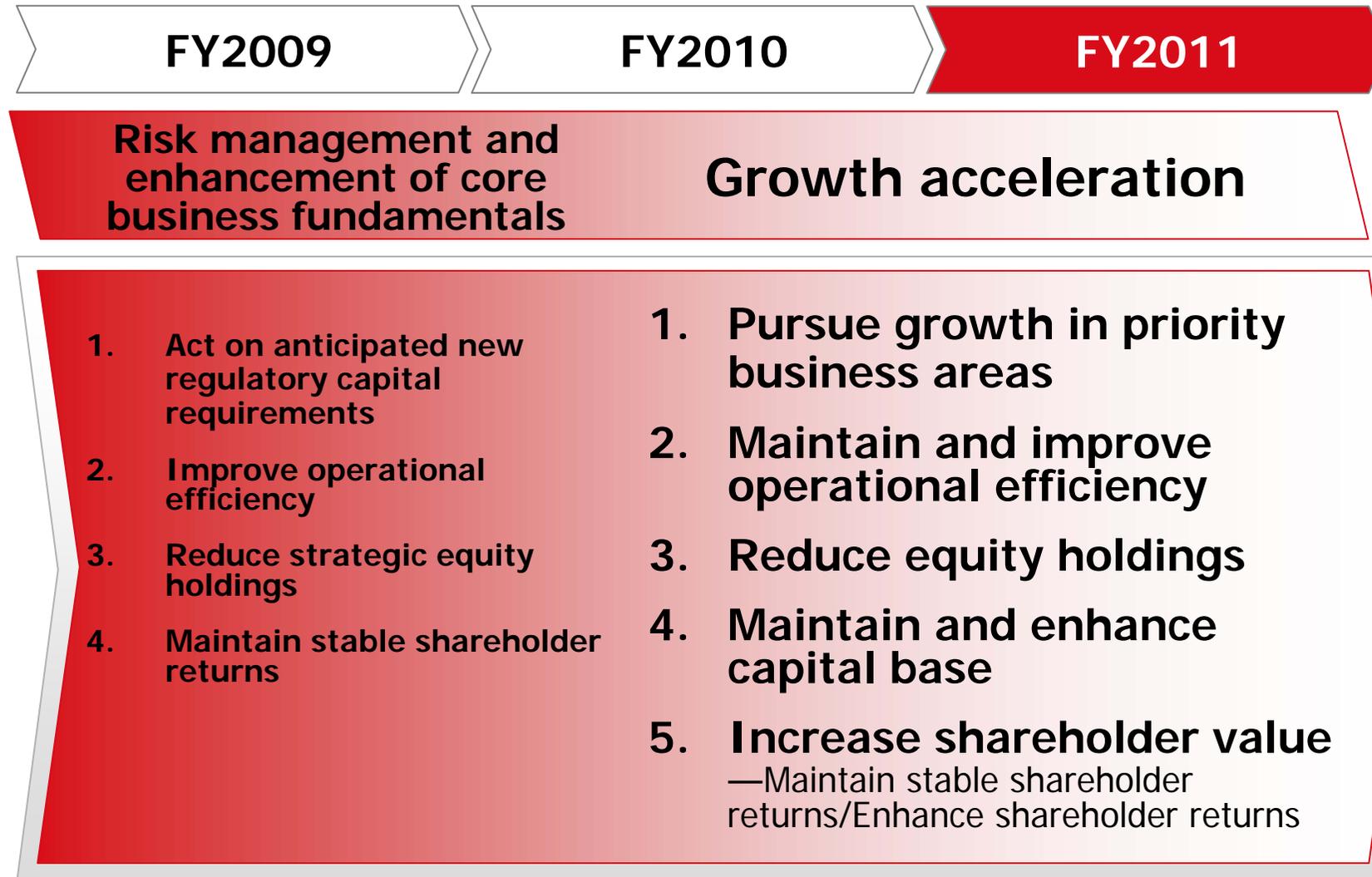
■ Tier 1 ratio : 13.04%

Capital (¥bn)		End Sep 10	End Mar 11	End Sep 11	Change from End Mar 11
1	Capital ratio	15.24%	14.89%	15.42%	0.52pt
2	Tier1 ratio	11.57%	11.33%	13.04%	1.70pt
3	Tier 1	10,194.1	9,953.3	10,471.0	517.6
4	Capital stock and capital surplus	4,311.6	4,311.7	4,313.7	2.0
5	Retained earnings	4,666.1	4,799.6	5,406.9	607.3
6	Minority interests	2,210.1	1,873.8	1,721.1	(152.7)
7	Tier 2	3,990.7	3,920.4	3,776.5	(143.9)
8	Net unrealized gains on securities available for sale	296.5	136.5	147.5	11.0
9	Subordinated debt	3,323.6	3,463.3	3,353.7	(109.5)
10	Deductions from total qualifying capital	(763.2)	(792.9)	(1,862.8)	(1,069.8)
11	Total capital	13,421.6	13,080.8	12,384.7	(696.0)
12	Risk-adjusted assets	88,054.3	87,804.9	80,276.9	(7,528.0)
13	Credit risk	79,345.9	79,207.3	71,964.9	(7,242.4)
14	Market risk	1,973.3	1,994.1	1,851.9	(142.1)
15	Operational risk	6,735.1	6,603.4	6,459.9	(143.4)

● Outline of FY2011 Interim Results

● **Future growth**

- Accelerate growth strategy in final year of medium-term business plan



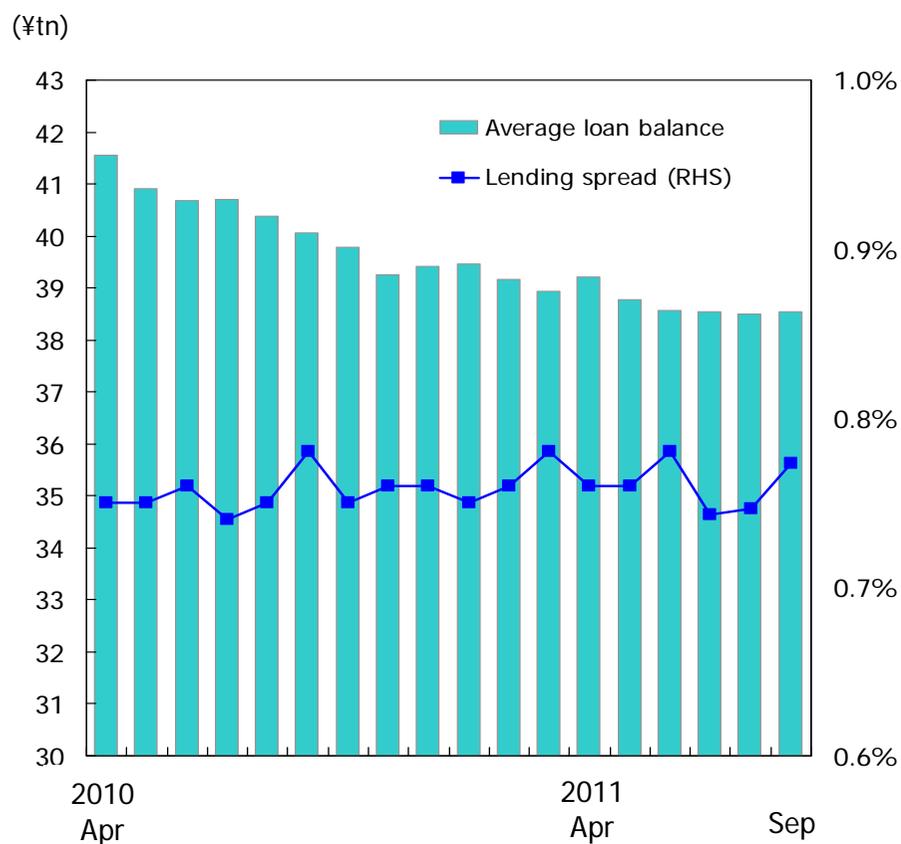
- **Domestic and overseas lending**
- **Exposures in European peripheral countries**
- **Improvement in major subsidiaries**
- **Promoting a growth strategy**
- **Addressing key issues**

# Domestic and overseas lending



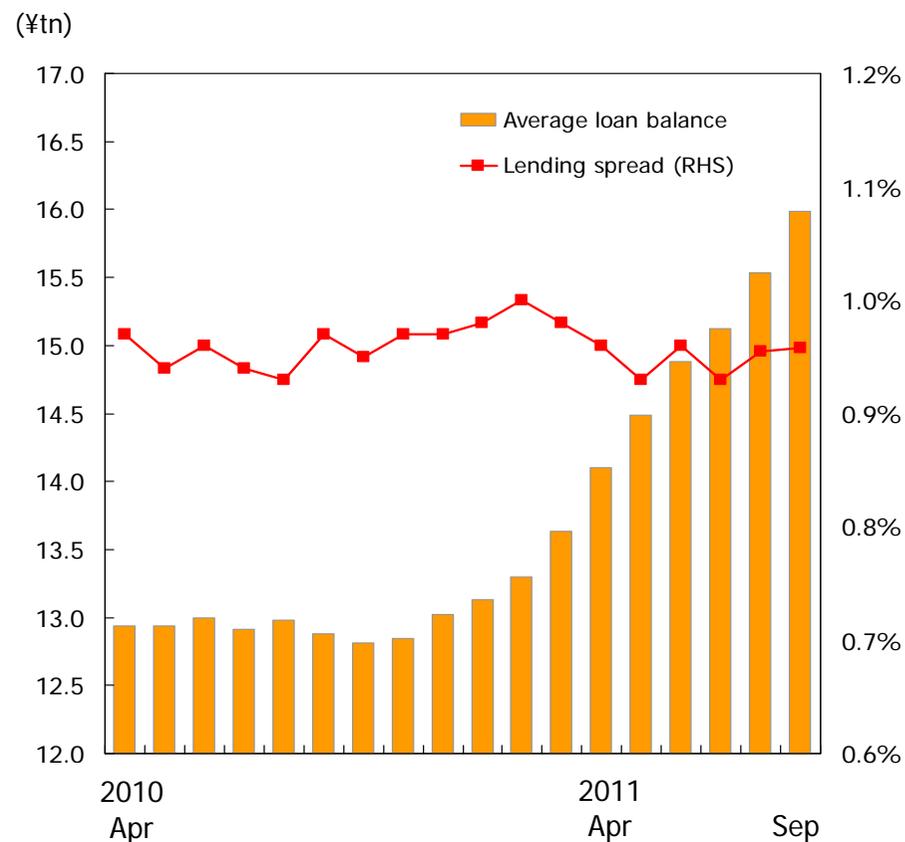
- Domestic demand for lending was weak partly due to a faster than expected recovery in production, but declining trend is moderating
- Overseas lending steadily expanded. Aiming for an increase in total lending balance of domestic and overseas lending

## Domestic corporate lending/Spread



## Overseas corporate lending/Spread (Excl. UB)

(Note) Exchange rates: Those adopted in our business plan (\$/¥=95, etc.)



# Exposures in European peripheral countries



- Exposures of BTMU consolidated in European peripheral countries were limited compared to consolidated total assets

## Exposures (BTMU consolidated)

	End Jun 11	End Sep 11
Spain	Approx.\$7.2 bn	Approx.\$6.4 bn
Italy	Approx.\$6.7 bn	Approx.\$5.5 bn
Ireland	Approx.\$0.3 bn	Approx.\$0.3 bn
Portugal	Approx.\$0.6 bn	Approx.\$0.6 bn
Greece	Approx.\$0.4 bn	Approx.\$0.3 bn
<b>Total</b>	Approx.\$15.2 bn	Approx.\$13.1 bn

## Balance of sovereign bonds (MUFG)

	End Jun 11	End Sep 11
Spain	Approx.\$1.1 bn	Approx.\$0.9 bn
Italy	Approx.\$3.4 bn	Approx.\$3.2 bn
Ireland	-	-
Portugal	-	\$0.0 bn
Greece	-	-
<b>Total</b>	Approx.\$4.5 bn	Approx.\$4.1 bn

## Limited exposures

- **Exposures (BTMU consolidated)**
  - No exposures to sovereign borrowers
  - More than 90% of exposures were to industrial corporations and structured finance
    - Exposures to Spain and Italy were mainly towards infrastructure sector, such as electricity, gas and telecommunications
  - Limited exposures to financial institutions
- **Balance of sovereign bonds (MUFG)**
  - No Greek or Irish government bonds
  - Very small amount of Portuguese government bonds in a trading account, all of which were hedged
  - Majority of our Spanish and Italian government bonds were held to maturity
    - net amount of Spanish government bond were around \$0.8 bn

# Consumer finance



- Number of requests for interest repayment declining y-o-y for both MUN and ACOM
- Both companies turned profitable in FY11 H1 as planned

## Results of MU NICOS & ACOM

<MU NICOS>		FY10 H1	FY11 H1	FY11 (plan)
(¥bn)				
1	Operating revenue	152.0	141.3	286.2
2	Card shopping	71.9	78.1	-
3	Operating expenses	158.8	127.1	258.8
4	G&A expenses	115.0	111.0	228.8
5	Credit related costs	30.4	16.1	30.0
6	Repayment expenses	13.3	0.0	0.0
7	Operating income	(6.8)	14.2	27.4
8	Underlying earnings(6+7)	6.5	14.2	27.4
9	Ordinary profits	(6.7)	14.2	27.9
10	Net income	(7.0)	13.7	27.2

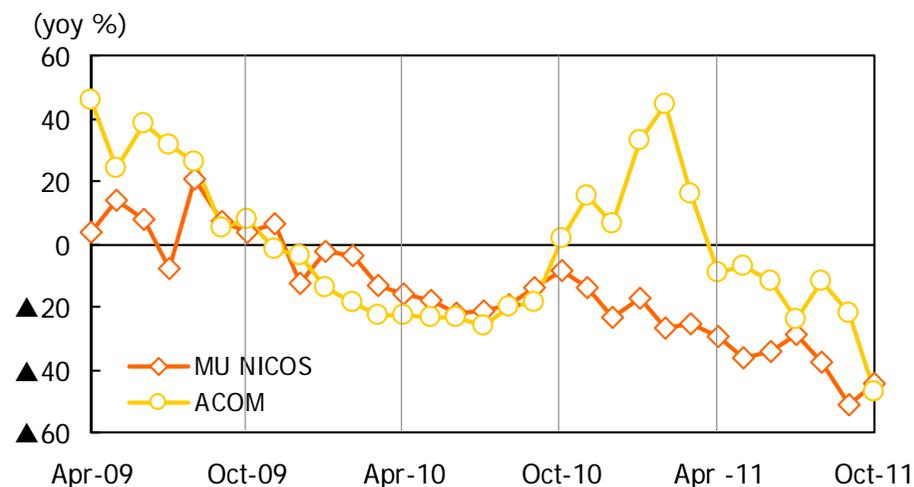
<ACOM>		FY10 H1	FY11 H1	FY11 (plan)
(¥bn)				
1	Operating revenue	128.7	108.0	204.3
2	Operating expenses	155.4	75.9	158.1
3	G&A expenses	42.9	36.3	73.6
4	Provision of allowance for doubtful accounts	33.1	27.5	60.2
5	Provision for loss on interest repayment	68.4	0.0	0.0
6	Operating income	(26.6)	32.1	46.2
7	Underlying earnings(5+6)	41.7	32.1	46.2
8	Net income	(43.8)	28.3	42.9

9	Guaranteed receivables (Non-consolidated)	324.9	464.2	482.2
10	Unsecured consumer loans (Non-consolidated)	982.6	825.8	742.6
11	Share of loans*1	28.0%	30.4%*2	

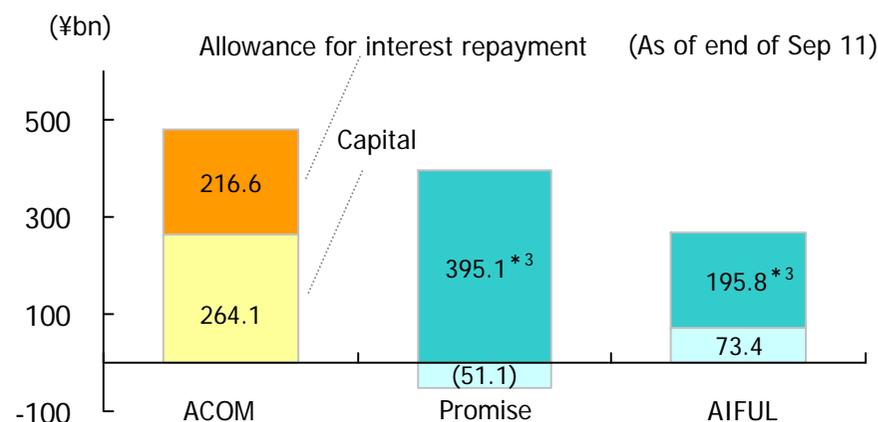
\*1 ACOM unsecured consumer loan balance (non-consolidated)/Consumer finance industry loan balance  
Source: Japan Financial Services Association

\*2 As of end of Aug 11

## Requests for interest repayment



## Capital and allowance for interest repayment



\*3 Including allowance for credit losses (applied to the principal)  
Source: Company disclosure

- Posted ¥16.3 bn net income in FY11 H1 with cost reduction and profit from sales of Kim Eng shares. MUMSS turned profitable in FY11 Q2
- Change business model and further reduce costs to adapt to harsh environment

## Results of MUSHD and MUMSS

### MUSHD\*1

(¥bn)

Consolidated		FY10 H1	FY11 H1
1	Net operating revenue*2	127.2	114.0
2	Selling, general and administrative expenses	134.2	121.9
3	Operating income	(6.9)	(7.8)
4	Ordinary profits (loss)	(2.2)	17.7
5	Extraordinary income	23.8	6.8
6	Net income	19.4	16.3

\*1 Mitsubishi UFJ Securities Holdings Co., Ltd.

\*2 Operating revenue minus financial expenses

### MUMSS\*3

(¥bn)

Non-consolidated		FY10 H1	FY11 H1
1	Net operating revenue*2	89.8	81.4
2	Selling, general and administrative expenses	97.5	86.6
3	Operating income	(7.7)	(5.2)
4	Ordinary profits	(6.2)	(4.3)
5	Net income	(9.1)	(3.1)

\*3 Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

## Structural reform of MUMSS

### ■ Building a lean structure through enhancing operational efficiency and further cost reduction

- Achieved initial targets (y-on-y ¥10.0 bn cost reduction) in H1, due to cost reduction initiatives with no exceptions. Aiming for further reductions in H2
- Streamlining of head office functions/personnel reduction, relocation of head office completed, larger-sized outlets through consolidation, shrinking investment in system, etc.

### ■ Strengthening profit base and transforming business model

- Taking full advantage of MUFG customer base
- Thorough implementation of “client transaction flow oriented” business model

## 【MUMSS Non-consolidated quarterly base】

		FY10				FY11	
		Q1	Q2	Q3	Q4	Q1	Q2
(¥bn)							
1	Net operating revenue*2	42.1	47.6	39.5	(67.9)	37.6	43.7
2	Selling, general and administrative expenses	46.9	50.6	46.9	45.4	43.6	42.9
3	Ordinary profits	(3.3)	(2.9)	(7.2)	(113.1)	(5.5)	1.1
4	Net income	(5.4)	(3.6)	(9.8)	(125.9)	(5.4)	2.2

- **Corporate/Global**

- ✓ North America, Asia
- ✓ Transaction banking business
- ✓ Project finance
- ✓ CIB
  - ~Strategic alliance with Morgan Stanley

- **Retail**

- ✓ Segment-based strategy
  - ~Investment product sales

- **Trust Assets**

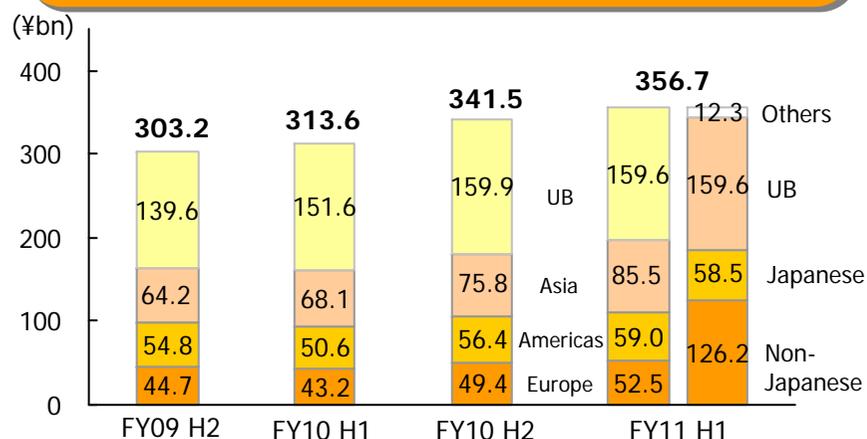
- ✓ Global asset management

# Global strategy

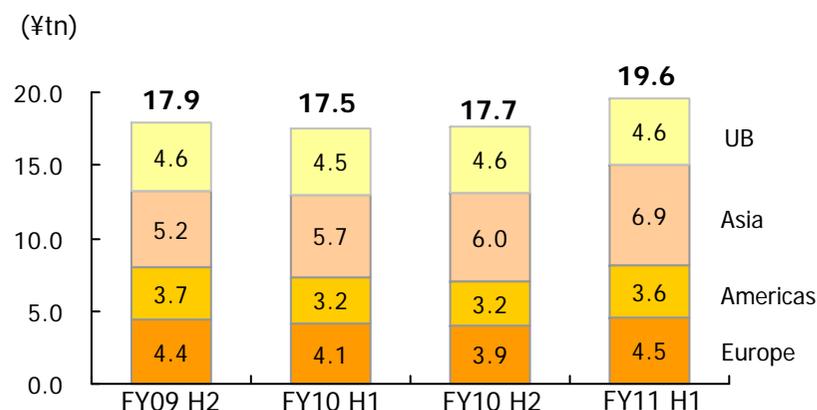
- Gross profits and net operating profits increased in all regions compared to FY10 H1. Revenues from both Japanese and non-Japanese corporations grew
- Lending also expanded in Europe, the U.S. and Asia. The main driver was increased lending to non-Japanese corporations in Asia

(Note) Exchange rates: Those adopted in our business plan (\$/¥=95, etc.)

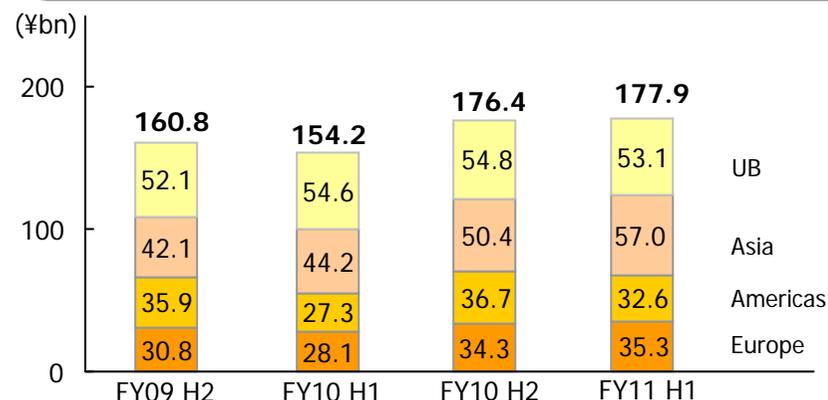
## Gross profits by regions\*1



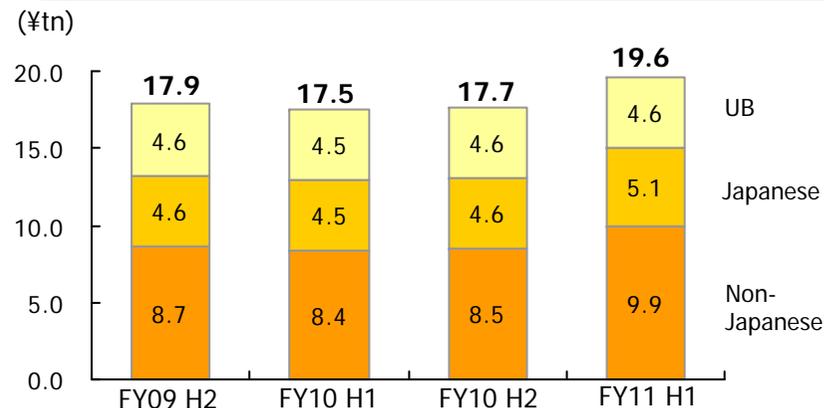
## Average loan balance by regions



## Net operating profits by regions\*1\*2



## Average loan balance by segments



\*1 Excl. CDS \*2 Excl. expense of head office in Japan

# Americas strategy



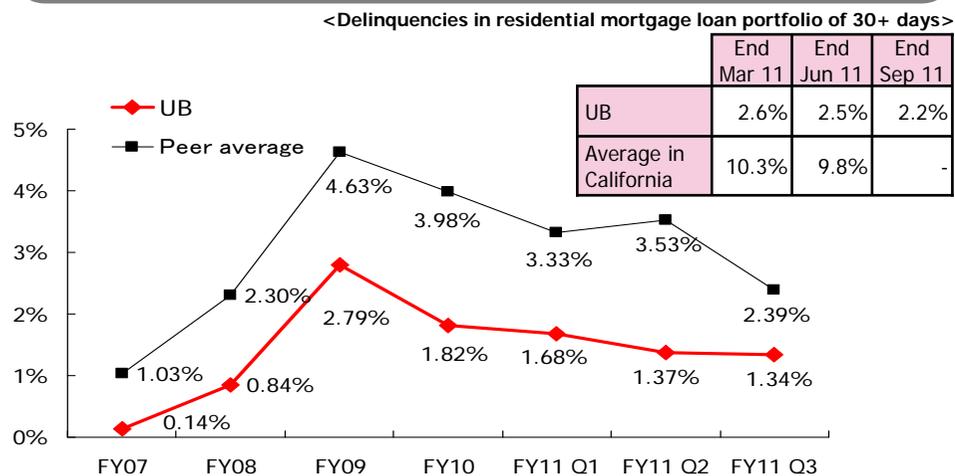
- Strong results achieved by UB. NPL ratio consistently lower than peers, due to long-term commitment to conservative credit management
- Continue to strengthen ties between BTMU and UB

## UB business performance

(US\$ mm)	FY10					FY11		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Gross profits	784	845	836	882	3,347	858	854	791
Noninterest expenses	525	584	562	701	2,372	615	578	603
Net business profits	259	261	274	181	975	243	276	188
Provision for allowance for credit losses*1	170	44	8	(40)	182	(102)	(94)	(13)
Net income	77	154	170	172	573	235	242	172

\*1 Negative figures are reversal

## UB nonperforming loans/total loans\*2



\*2 Excl. FDIC covered assets Source: SNL and company reports

## Key points of Americas strategy

### ■ Stronger ties between BTMU and UB

- Formed virtual holding company in Jul 2011 placing BTMU Headquarters for the Americas and Union Bank under its umbrella for unified business management in US
- Established a single leadership structure to increase market share in corporate deposit and cash management, and accelerate strengthening collaboration
- No. 1 in project finance rankings in the Americas for Jan to Dec 2010 and for Jan to Jun 2011

### ■ Non-organic growth

- Actively consider quality investment opportunities

### ■ Central and South America

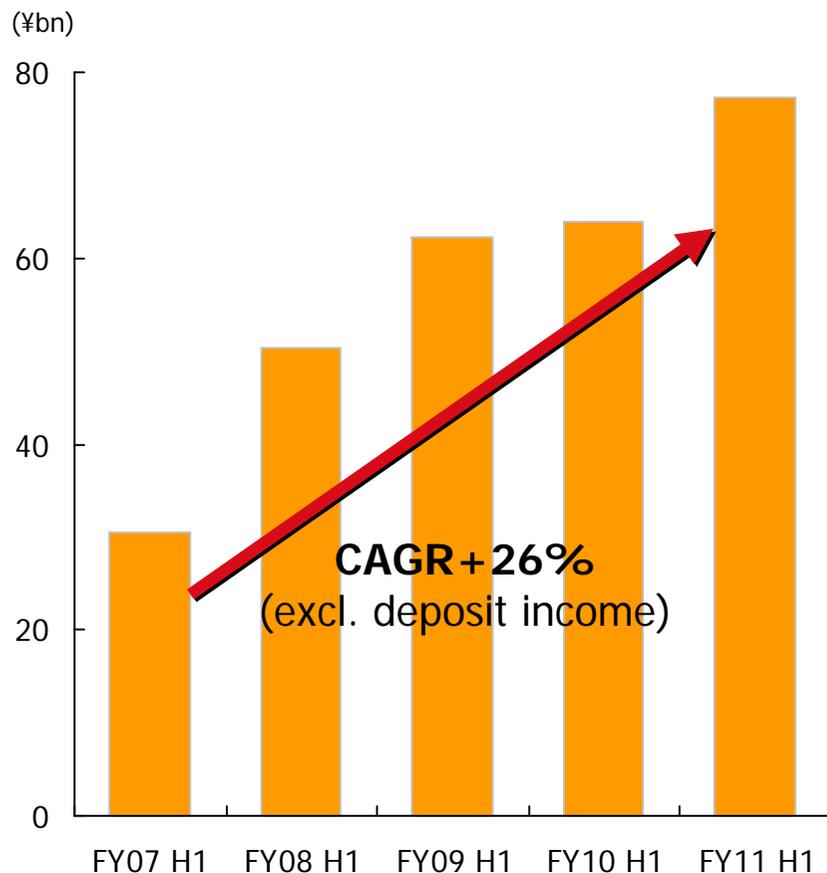
- Increased capital of our Brazilian subsidiary, improved structure aiming to strengthen credit management system and markets business
- 11 locations in 8 countries after having established a representative office in Lima in Feb 2011

# Asia strategy(1)



- Solid increase in gross profits. Ensuring a good revenue balance in each region
- Preparing for further growth – expanding network, strengthening market products business and making alliances with Asian regional banks

## Gross profits<sup>\*1\*2\*3</sup> – Asia business



\*1 Gross profits excluding deposit income  
 \*2 Exchange rates: Those adopted in our business plan (\$/¥=95, etc.)  
 \*3 Commercial bank (consolidated)

## Organic strategies

### ■ Expanding network

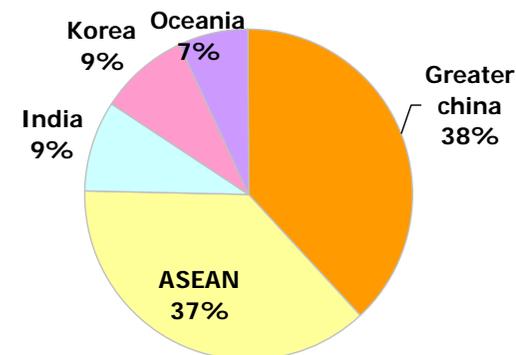
- Expanding branch network in China. Also plan to establish a representative office in Cambodia

### ■ Promoting market products business in Bangkok and Mumbai, in addition to Singapore, Hong Kong, and Shanghai

### ■ Alliances with Asian regional banks

- CIMB - Expand areas where we cooperate to include securities and asset management (sales of investment trusts and ASEAN stocks, etc targeting Japanese investors)

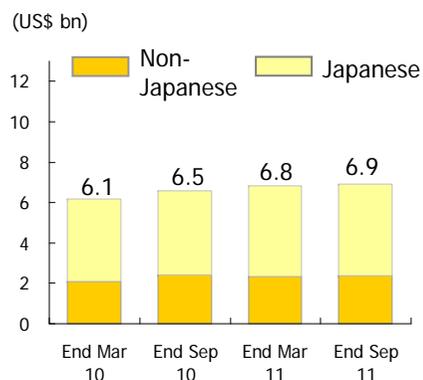
## Gross profits by regions in Asia<sup>\*3</sup>



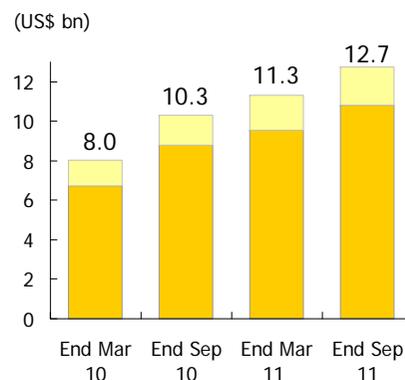
# Asia strategy(2)

- Increased lending balance in each country through adopting strategy to the characteristics of each market

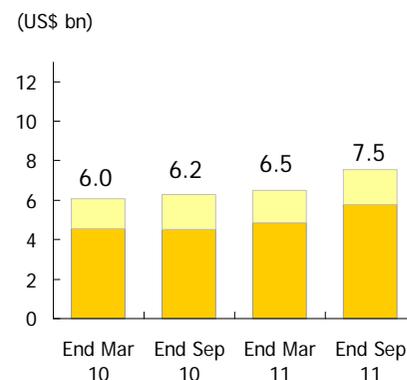
## China



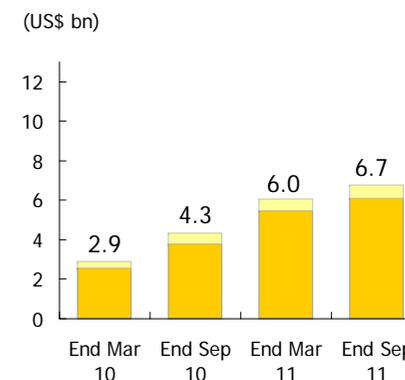
## Hong Kong



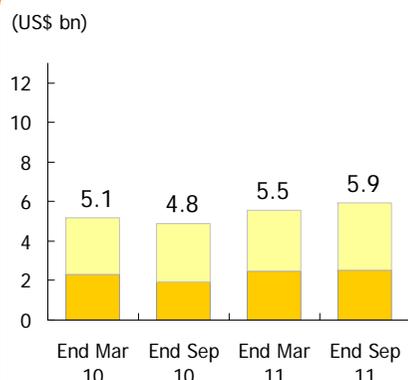
## Singapore



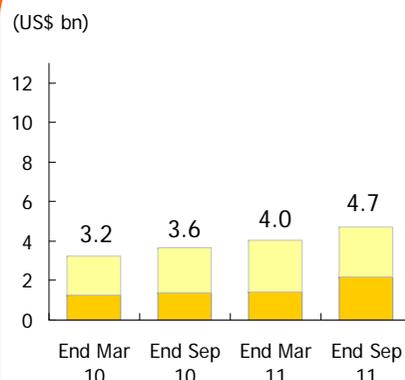
## India



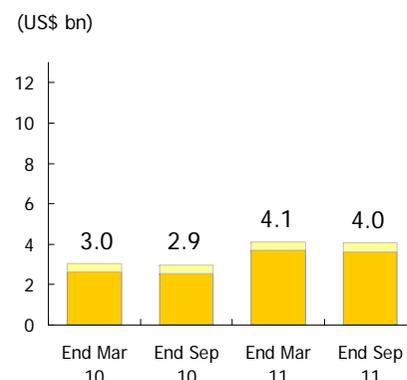
## Thailand



## Indonesia



## Malaysia



## Korea



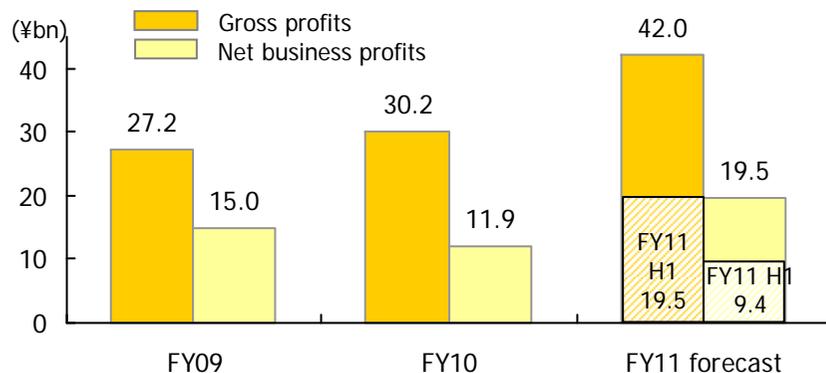
(Note) Loans outstanding on consolidated basis, counted by the nationality of each borrower for internal management purpose. Excl. financial institution. Please see P77 of the MUFG databook for details

# Asia strategy(3) China

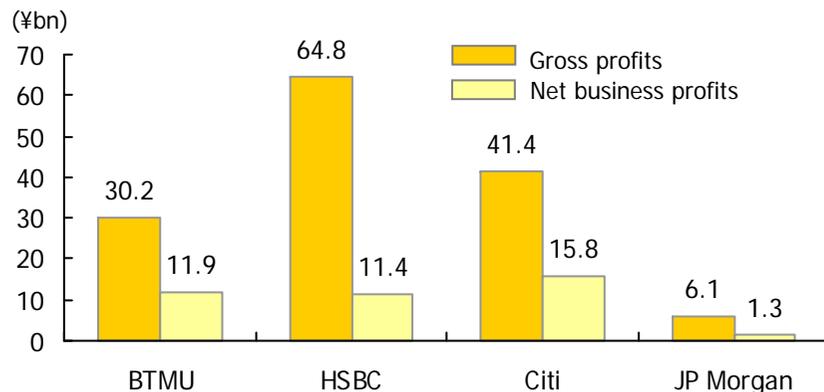


- Expanding business on the foundations of a strong Japanese customer base. Already in the top rank among foreign banks in terms of net business profits
- Aiming to expand revenues by further expanding our network, strengthening market products business, etc.

## BTMU China business performance



## Comparison with foreign banks' subsidiaries in China (FY10)



Source: Company disclosures Exchange rates: RMB/¥=14.03

## Key points of Asia strategies

### ■ Expanding business with non-Japanese corporations

- Leveraging MUFG's network and know how to support trade flows and accelerating overseas expansion of Chinese companies

### ■ Strengthening market products business

- Actively launching new businesses and offering new products such as in derivatives business

### ■ Taking active initiatives to internationalize RMB

- Transaction volumes steadily expanding after implementing the first RMB trade settlement between Japan and China. Japanese and overseas branches are actively cooperating to develop global RMB business

### ■ Expanding network

- Opened Qingdao branch (Aug 2011). Currently have 16 locations including 2 locations where we have acquired business establishment approvals. Aiming for further expansion

# Transaction banking business

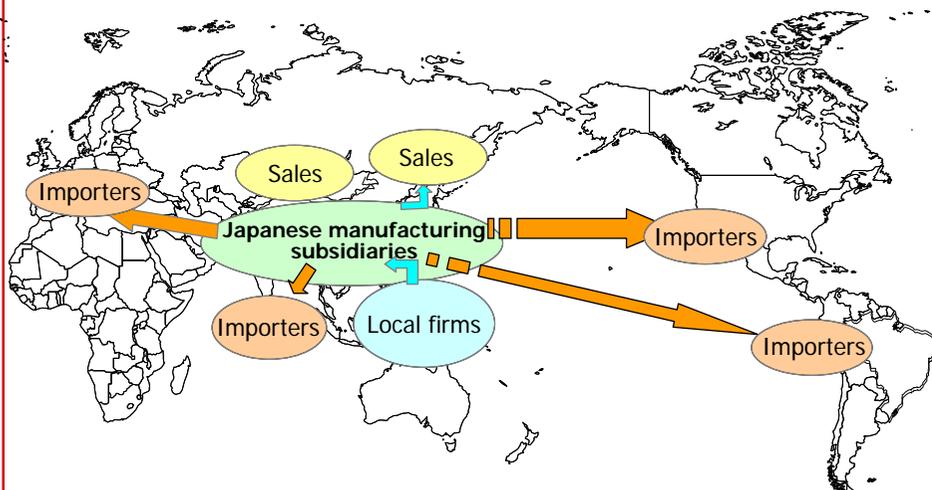


- Expand transaction banking business\*<sup>1</sup> by leveraging strong customer base and extensive network. Responding to changes in commercial flows especially in Asia where economy is rapidly growing

\*<sup>1</sup> Collectively refers to services capturing commercial flows of customers such as deposits, settlement, and trade finance

## Change in commercial flows

Increasing regional sales  
Developing local procurement

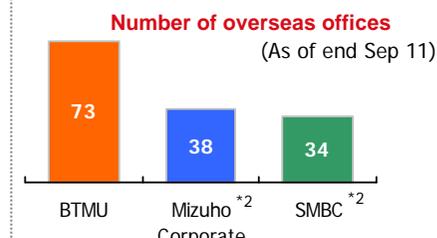


## Our strengths

### Strong corporate customer base

Japan	500,000 customers
Overseas	50,000 customers

### Extensive network



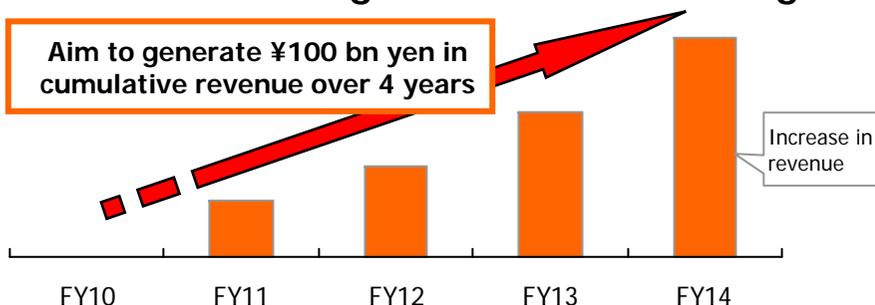
\*<sup>2</sup> Company disclosures

## Strategies to strengthen the business

- **New investments in computer systems for enhancing settlement products and services that can match the changes in commercial flows**
  - Launched Japan's first electric trade operation management system with e-payment guarantee (TSU\*<sup>3</sup>)
    - ~ Operational streamlining by electric trade operation management
  - Launched centralized payment operation management system (GPH\*<sup>4</sup>)
    - ~ Host to host connection of customer's accounting or treasury management system directly with BTMU
- **Strengthen network, including partnerships with local banks**
  - Launched a settlement service through alliances with local banks in China, Indonesia and Philippines

## Transaction banking business revenue targets

Aim to generate ¥100 bn yen in cumulative revenue over 4 years



\*<sup>3</sup> TSU: Trade Services Utility \*<sup>4</sup> GPH: Global Payment Hub

# Project finance



- Advanced to No.2 in 2011 Jan to Jun global rankings
- Mostly completed transfer of RBS project finance assets. Aiming to establish leading bank status leveraging staff increases in Europe, etc.

## Global presence

Global project finance league table (Jan-Jun 2011)

Rank	Mandated Arrangers	Origination volumes (US\$ bn)	#	Rank 2010
1	State Bank of India	10.10	18	2
<b>2</b>	<b>MUFG</b>	<b>4.51</b>	<b>35</b>	<b>9</b>
3	Societe Generale	3.50	30	8

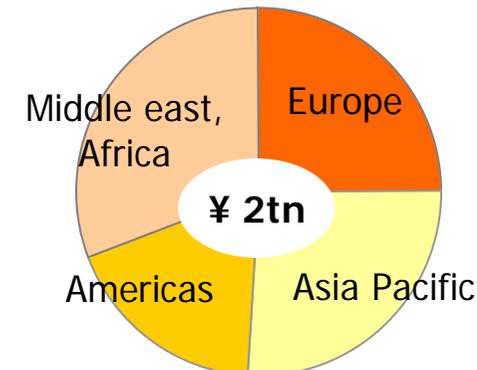
Source: Project Finance International

- No. 1 position since 2010 and built a track record in the Americas, primarily with renewable energy mandates
- Jumped to 7th from 13th place in Asia Pacific
- Major projects:
  - Canada: Acquisition of interest in a major shale gas reserve
  - U.S.: One of the largest biomass power stations
  - Germany: Large-scale offshore wind power generation plants

## Strategies to strengthen the business

- Global approach: strengthening our platform in the infrastructure sector, renewable energy business and others on a global basis
- Initiatives in Japan: enhancing our supports in relation to Japanese companies' acquisition of resource interests, infrastructure exports to Asia, and domestic reconstruction related PFI/renewable energy
- Strengthening marketing structure through staff increases

## Project finance loan portfolio\*1



\*1 Commercial bank (consolidated, excl. UB). As of end Jun 11

# Global strategic alliance with Morgan Stanley



- Further strengthen alliance with Morgan Stanley through conversion of preferred stock to common stock
- Morgan Stanley Q3 net profit (common shareholder income including debt valuation adjustment (DVA)) of about \$2.1bn -MUFG's holding (22.4%) will be reflected from the Oct to Dec period in gains/losses from equity method investments

## Morgan Stanley performance

(US\$ mm)	FY10	FY11		
		Q1	Q2	Q3
Net Revenues	31,622	7,635	9,282	9,892
Net Revenues (Excl. DVA) <sup>*1</sup>	32,495	7,824	9,038	6,482
Non-interest expenses	25,420	6,763	7,338	6,214
Income from continuing operations before taxes	6,202	872	1,944	3,678
Income from continuing operations before taxes (Excl. DVA) <sup>*1</sup>	7,075	1,061	1,700	268
Net income applicable to MS	4,703	968	1,193	2,199
Earnings applicable to MS common shareholders	3,594	736	(558)	2,153

\*1 Calculated by MUFG based on Morgan Stanley public data

## Impact on P/L following conversion

- Preferred stock dividends (US\$780 mm annually : pre-tax) disappeared and equity in net income of affiliates will be taken in
  - 22.4% of post-tax profits of MS
  - MS Jul-Sep earnings to be reflected in MUFG Oct-Dec earnings
- Posted negative goodwill ¥290.6 bn as profit
- Fall of MS share price will not affect MUFG consolidated earnings
  - No impairment from equity-method affiliates' shares in consolidated earnings
  - No impairment from goodwill as there is no goodwill for the investment in MS

## Results of domestic cooperation

M&A advisor (Jan 2011 to Sep 2011)				
Rank	FA	#	Amount(¥ bn)	Share(%)
1	Goldman Sachs	17	4,191.0	41.5
2	Nomura	92	3,930.8	38.9
3	Deutsche Bank Group	17	3,621.3	35.8
4	<b>MUMSS</b>	<b>38</b>	<b>2,930.5</b>	<b>29.0</b>

Deal value amount, any Japanese involvement announced excluding real estate

Source : Calculated by MUMSS based on Thomson Reuters data

### Major M&A deals

Merger of Nippon Steel and Sumitomo Metal Industries (one of Japan's largest ever domestic industry consolidations)<sup>\*2</sup>

Acquisition of US company Stolle Machinery by Toyo Seikan (industry-defining cross-border transaction in the manufacturing sector)

Acquisition of Italian IT service company Value Team by NTT DATA (strategic acquisition to strengthen and expand overseas operations)

\*2 Based on the public source. An ongoing deal

## Presence of Americas

U.S Syndicated loan (Investment Grade Agent only) (Jan 2011 to Sep 2011)				
Rank	Bank Holding Company	#	Amount(US\$ mm)	Share(%)
1	JP Morgan	389	514,556	18.7
2	Bank of America Merrill Lynch	474	498,515	18.1
3	Citi	177	364,400	13.3
4	Wells Fargo & Company	353	231,733	8.4
5	<b>MUFG+Morgan Stanley</b>	<b>124</b>	<b>162,230</b>	<b>5.9</b>
6	<b>MUFG<sup>*3</sup></b>	<b>98</b>	<b>127,155</b>	<b>4.6</b>
15	Morgan Stanley <sup>*3</sup>	26	35,075	1.3

Source: Calculated by BTMU based on Loan Pricing Corporation data

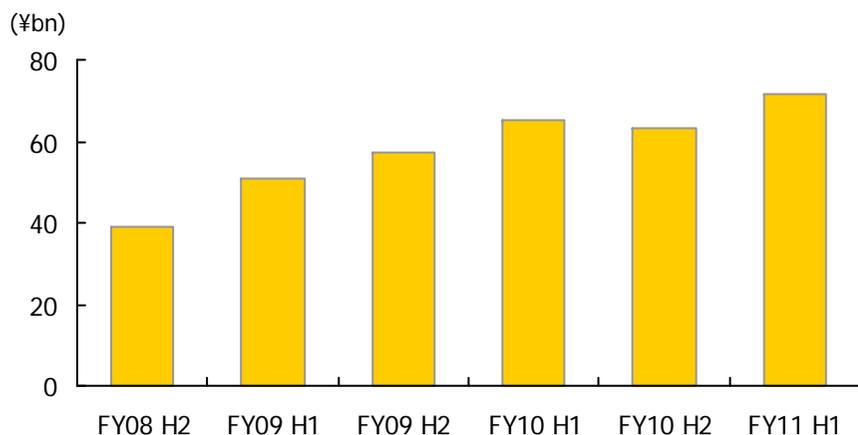
\*3 Including U.S. Loans which were not arranged by Loan Marketing Joint Venture

# Investment product sales



- Solid income from investment products driven by investment trust. Aim to grow income through further intra-Group collaboration

## Income from investment products



## Group measures to strengthen 'Total Asset Sales'

### BTMU

- **Strengthen retail money desk**<sup>\*3</sup>
  - Increase staff seconded from MUMSS
- **Increasing total asset advisor**<sup>\*4</sup>
  - Increasing private banking specialist who assess customer assets, advise on inheritance, etc., improving consulting services

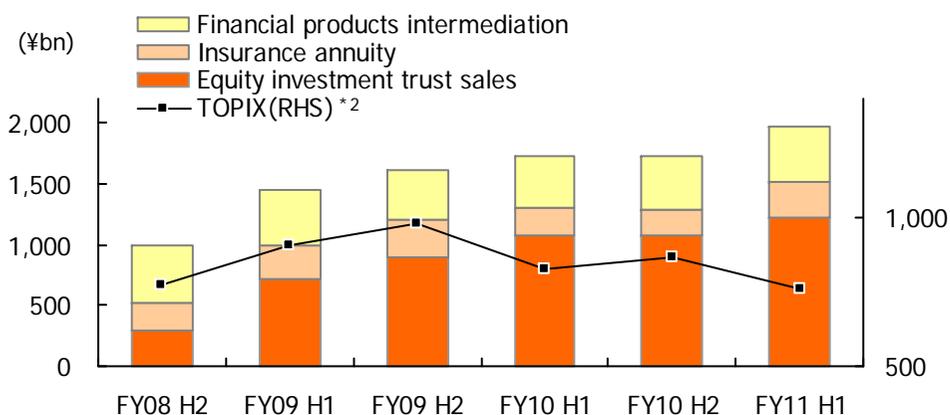
### MUTB

- **Developing total assets marketing approach based on trust capabilities in inheritance and real estate**
  - Jointly promote inheritance business with BTMU
  - Establish real estate sales division No.3 in order to accommodate real estate related needs arising from property succession/inheritance

### MUMSS

- **Strengthen marketing of consulting business**
  - PB consultants assigned. Link with BTMU Retail Money Desk to promote business with company owners

## Investment products sales<sup>\*1</sup>



\*1 Managerial accounting basis

\*2 Closing price base

\*3 A team of experts with high level investment product sales expertise. As of end Sep 11, assigned to 58 locations in Japan

\*4 A team with specialist knowledge of overall assets including wills and trusts, assigned to use their skills to promote sales targeting overall customer assets. As of end Sep 11, 118 assigned

# Global asset management strategy



- Further expand robust operating base in Japan, also meet Japanese demand for overseas investment and develop business with overseas customers

## Development of investment products for domestic customers

- Strengthen product lineup through both in-house MUFG and affiliate investment products

	Manager	Products
MUFG	<b>MUTB</b>	<ul style="list-style-type: none"> <li>• Emerging quant value</li> <li>• Emerging minimum variance</li> <li>• FTSE GWA emerging</li> <li>• Asian equity quant value</li> </ul>
	<b>Mitsubishi UFJ Asset Management (UK)</b>	<ul style="list-style-type: none"> <li>• Foreign bond (Global Aggregate Bond Portfolio)</li> </ul>
Alliance partner	<b>Aberdeen</b> (equity alliance partner) 	<ul style="list-style-type: none"> <li>• Asian equity/Emerging equity</li> <li>• Global equity</li> <li>• Asian bonds</li> </ul>
	<b>Baillie Gifford</b> (alliance partner including JV) 	<ul style="list-style-type: none"> <li>• Emerging equity</li> <li>• Global equity</li> </ul>
	<b>Bradesco</b> (equity alliance partner) 	<ul style="list-style-type: none"> <li>• Brazil investment trust (retail investors)</li> </ul>

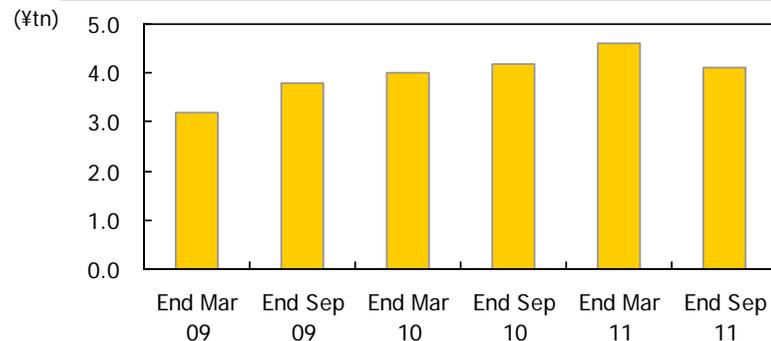
## Development of overseas customer base

- Provide mainly Japan investment products to SWFs and other overseas customers and strengthen product lineup, in cooperation with overseas network
  - Japanese equity (Active fund)
  - Japanese equity/Global equity (Passive fund)
  - Asian equity/quant
  - Emerging equity/quant etc.
- Consider market entry, including alliance and investment with partners in high growth Asian markets and large scale US and European markets
- Entered Chinese investment market



- Invested (33% holding) in asset management subsidiary (SWS MU Fund Management Co.,Ltd. established in Jan 2004) of major Chinese securities firm Shenying & Wanguo Securities, made an equity method affiliate in Apr 2011
- China investment trust market =RMB 2.1 tn (approx. ¥26 tn) as of Sep 11

## Foreign-currency-denominated invested assets balance for corporate pension funds



- **Maintain and improve operational efficiency/ Reduce equity holdings**
- **Maintain and enhance capital base**
- **Capital policy**

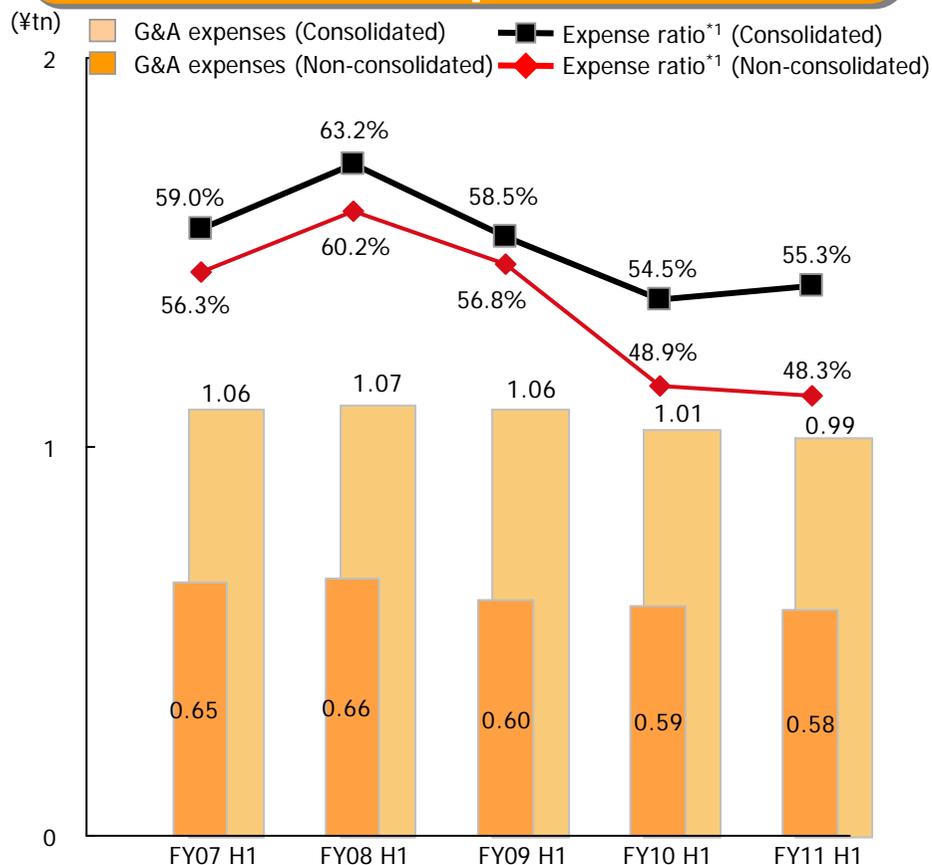
# Maintain and improve operational efficiency/ Reduce equity holdings

(Consolidated/Non-consolidated)



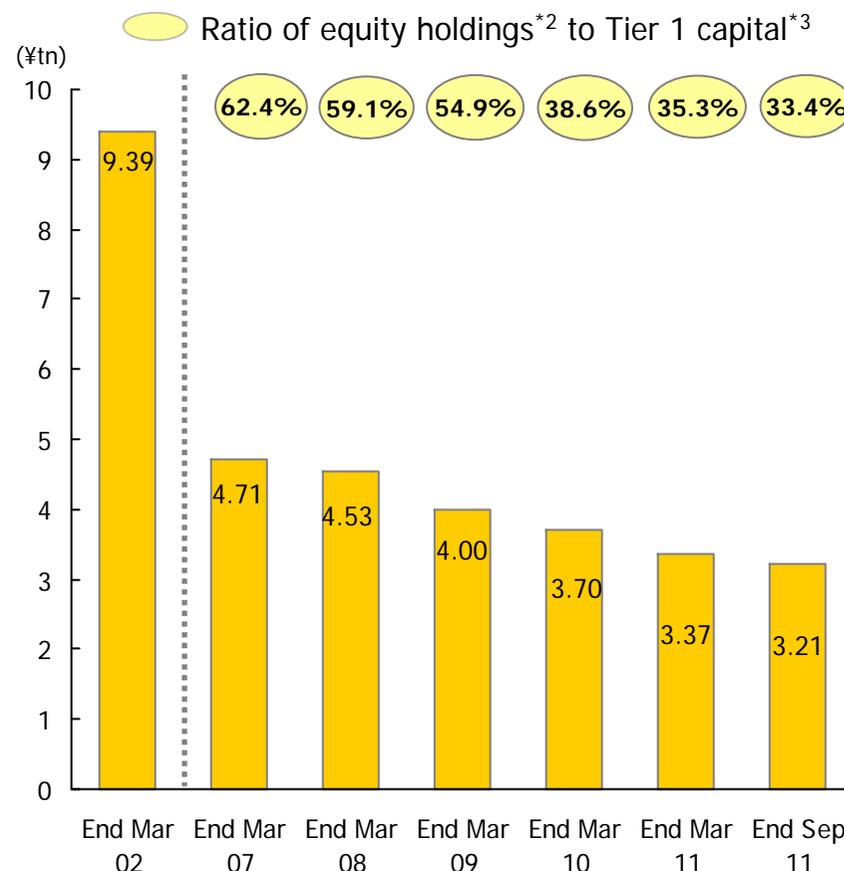
- Decreased consolidated G&A expenses by ¥28.6 bn and non-consolidated expenses by ¥6.1 bn. Maintaining corporate-wide cost reduction efforts while distributing resource to strategically strengthening business areas to increase profits
- Sold equity holdings by approx. ¥49.0 bn in FY11 H1. Continue to reduce equity holdings to minimize stock price fluctuation risk on capital while considering market conditions

## G&A expenses



\*1 Expense ratio = G&A expenses / Gross profits (before credit costs for trust accounts)

## Equity holdings (acquisition price)<sup>\*2</sup>



\*2 Acquisition price (after impairment) of domestic equity securities in the category of "other securities" with market value (Non-consolidated)

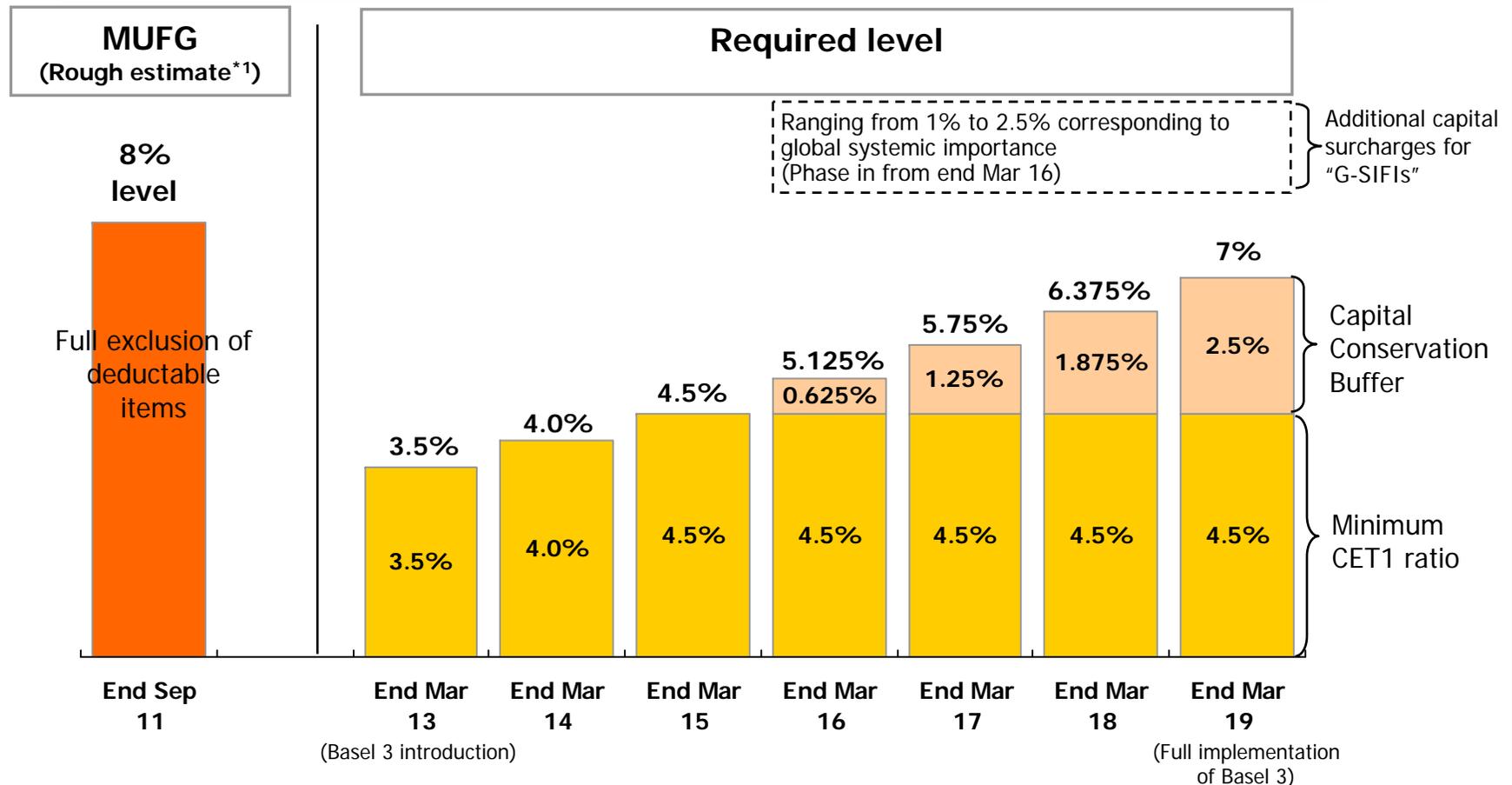
\*3 Tier 1 Capital (Non-consolidated)

# Maintain and enhance capital base



- CET1 ratio on the basis of full exclusion of deductible items is estimated to be 8% level as of end Sep 11
- Limited impact on RWA under new Basel regulations
- Reinforce core capital by accumulating retained earnings and effective capital management, while closely monitoring the course of new regulations

## CET1 ratio of new Basel regulations



\*1 Calculated on the basis of current information

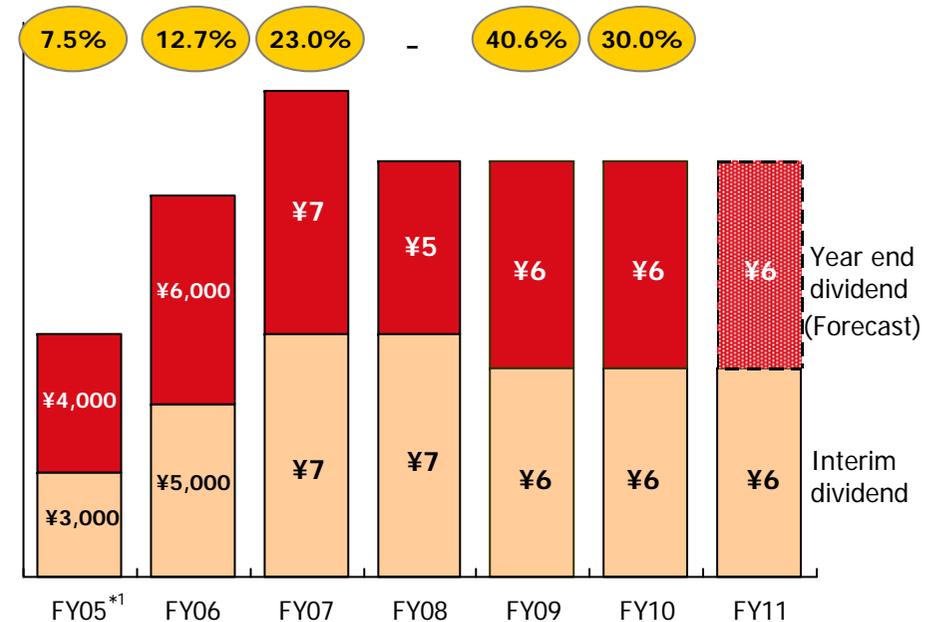
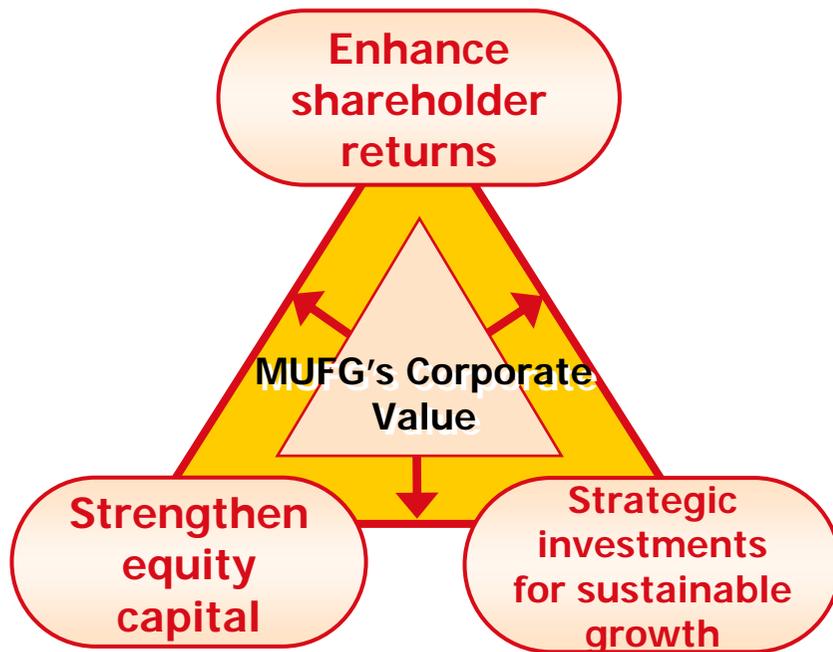
# Capital policy



- Increase corporate value through appropriate capital strategy while properly responding to the new capital regulation
- Secure stable shareholder returns while maintaining a balance between strengthening capital and making strategic investment for sustainable growth
- Interim dividend ¥6. Dividend forecast ¥12 per common share in FY11

## Dividends on common stock\*1

● Dividend payout ratio



\*1 The dividends from FY07 are after adjusting for stock split effective Sep 30, 07 (1000 to 1 common stock split)

\*2 The interim dividend for FY05 was for the former Mitsubishi Tokyo Financial Group

Strong profitability

Strong financial  
strength

Strong brand

**A sound financial group with strong  
profitability and integrity**

**A globally respected financial group**