

**Mitsubishi UFJ Financial Group**

# Overseas Business Strategy

**July 1, 2008**

**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.**

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**Outline of overseas business**

Overseas business strategy

Conclusion

- **MUFG Group overseas business income composition**

- **BTMU operating results**

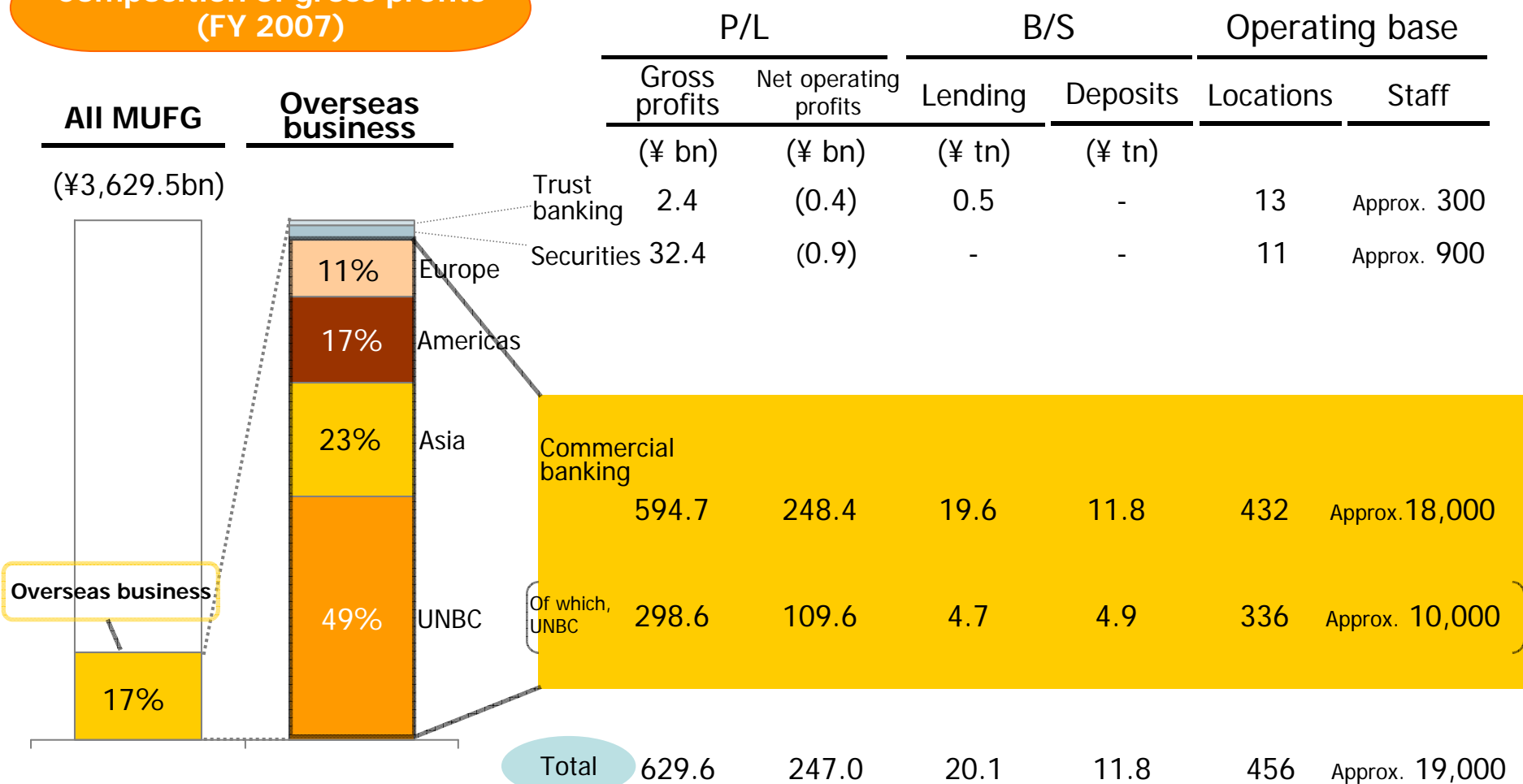
- **MUFG strengths**

# MUFG Group overseas business income composition



- Gross profits from overseas business comprised about 17% of the entire Group
- Gross profits of BTMU and UNBC was approx. ¥590 bn, 94% of the overseas business total

## Composition of gross profits (FY 2007)



Figures are those of integrated corporate banking business group on management accounts basis.  
 After adjustment of change in the accounting period of China operation resulting from the creation of a locally incorporated subsidiary in China.  
 Exchanged rates for our business plan are used (¥/\$=¥115, etc)

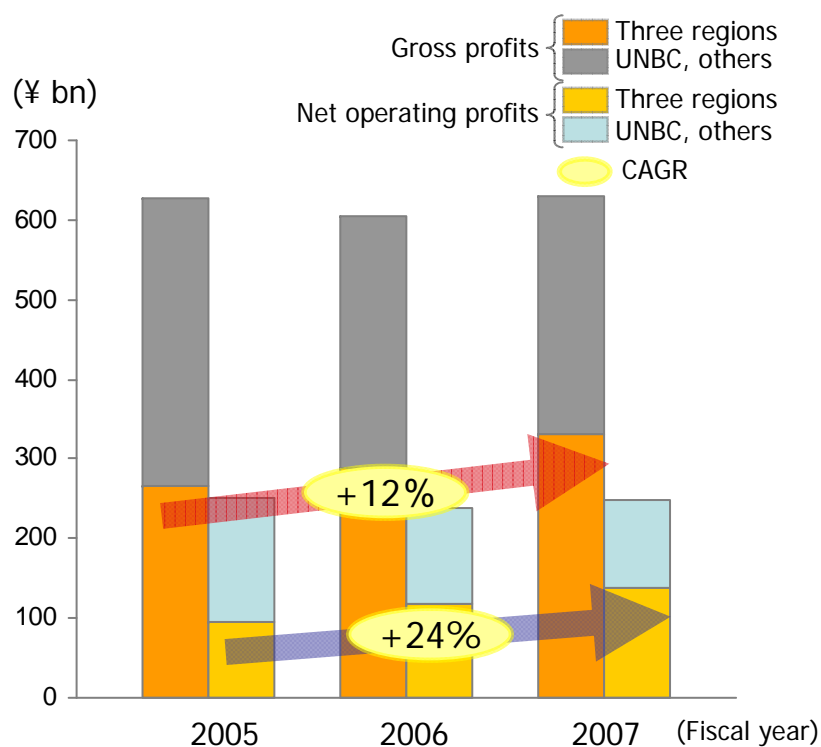
# BTMU operating results (1)

## Gross profits, balance of lending and deposits



- Gross profits and net operating profits increased and both loan and deposit balance grew considerably

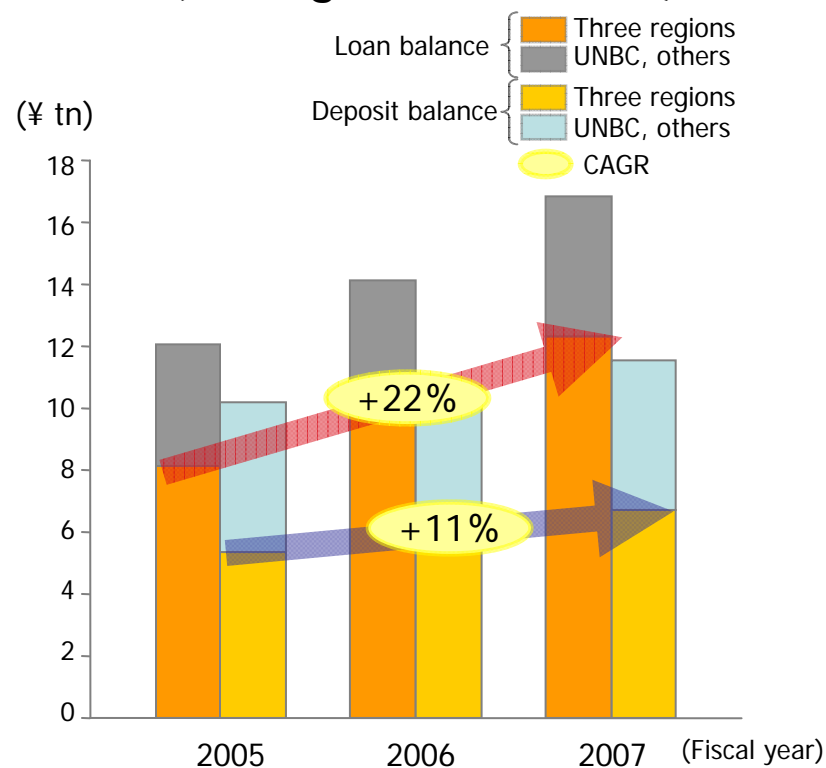
### Gross profits and net operating profits



- Significant increase in net operating profits of Commercial banking, excluding UNBC, thanks to the benefit of business integration

### Balance of lending and deposits

#### (Average balance basis)

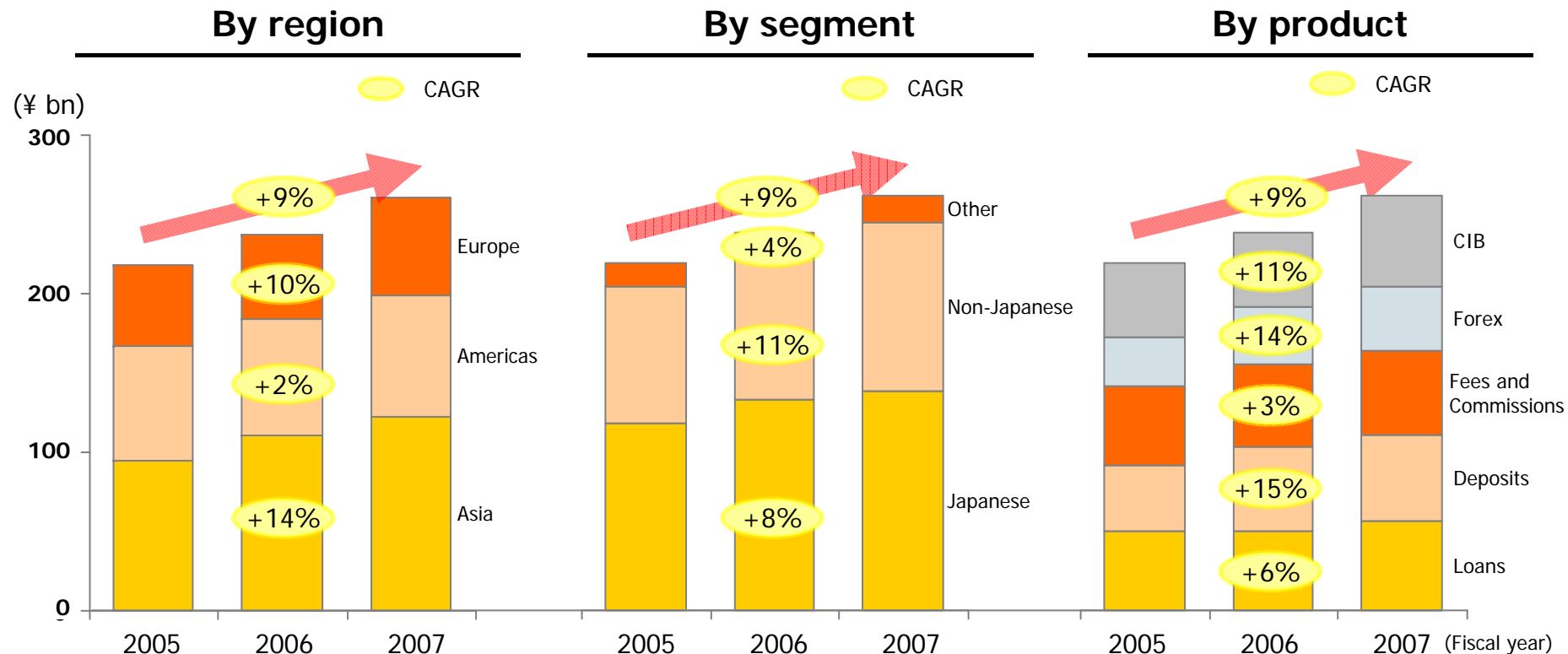


- Commercial banking loan balance strengthened considerably

Figures are those of integrated corporate banking business group on management accounts basis. After adjustment of change in the accounting period of China operation resulting from the creation of a locally incorporated subsidiary in China. Exchanged rates for our business plan are used (¥/\$=¥115, etc)

# BTMU operating results (2) Breakdown of gross profits

- Good performance in all sectors by region, by segment and by product
- Especially Asia and Non-Japanese businesses contributed to the increase in gross profits



● Asia has the largest scale and growth potential

- Business with Japanese companies: Core business for steady growth
- Business with non-Japanese companies: Growth business, seek accelerated growth

- Double digit growth in deposits, Forex and CIB products
  - Deposits and loan outstanding expanded
  - Forex/CIB: Expanded cross-selling

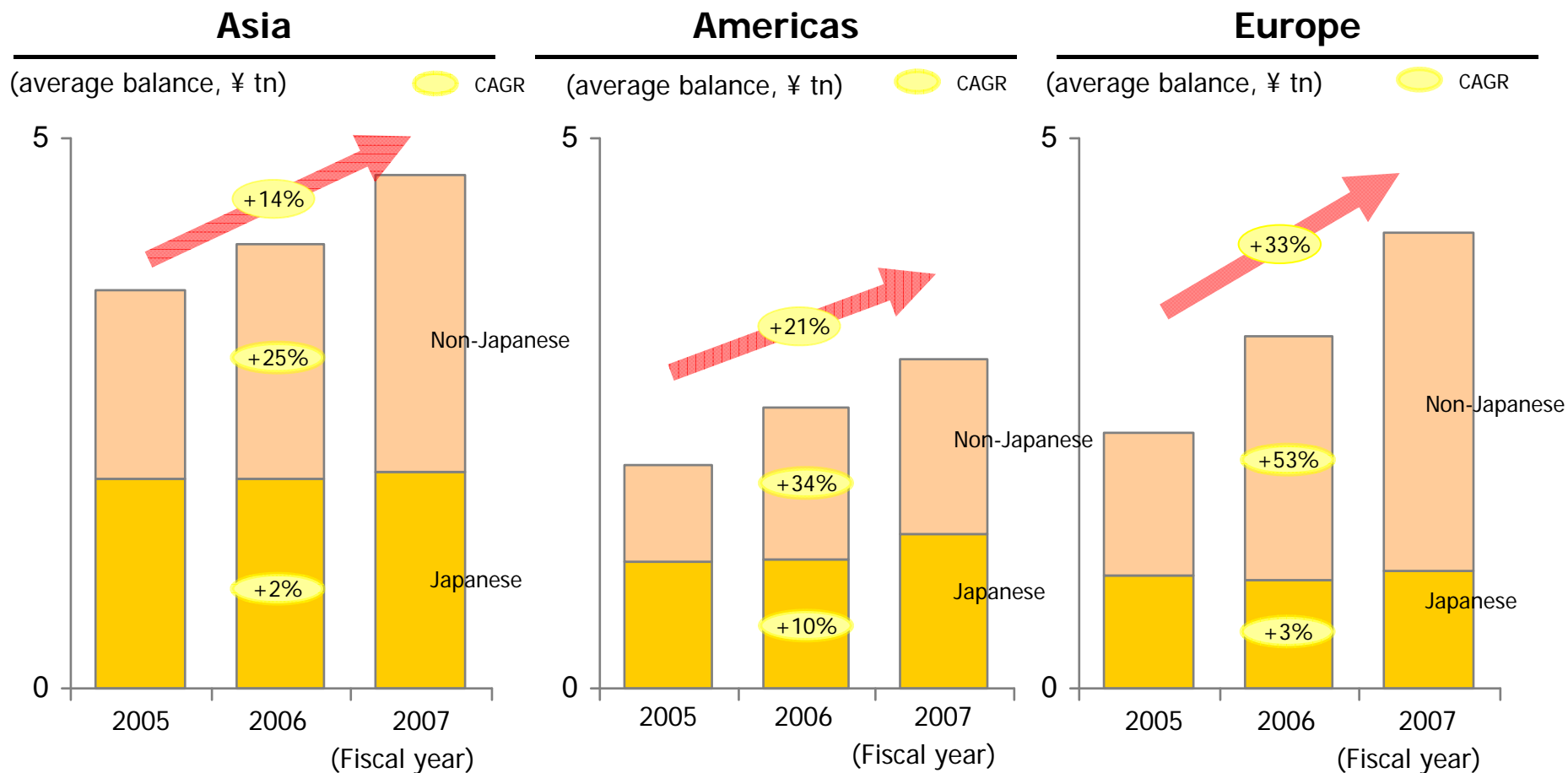
Figures are customer business gross profits of integrated corporate banking business group on management accounts basis. After adjustment of change in the accounting period of China operation resulting from the creation of a locally incorporated subsidiary in China. Exchanged rates for our business plan are used (¥/\$=¥115, etc)



# BTMU operating results (3) Loan balance by region



- Lending to Japanese and Non-Japanese customers grew in all three regions
- Especially loans to Non-Japanese customers were growth driver



- Lending to Non-Japanese customers rapidly grew and exceeded lending to Japanese customers

- Strong growth in lending to Japanese and non-Japanese customers

- Lending to non-Japanese customers grew rapidly to approx. three times as large as lending to Japanese customers

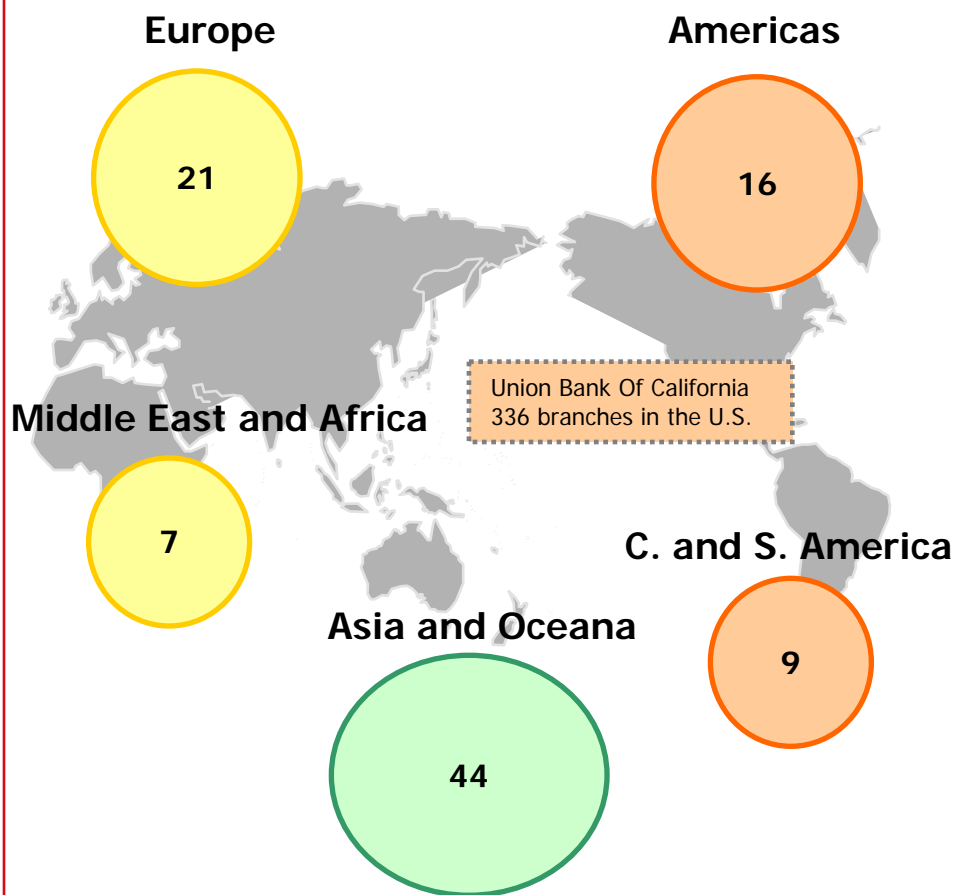
Figures are those of integrated corporate banking business group on management accounts basis.  
 After adjustment of change in the accounting period of China operation resulting from the creation of a locally incorporated subsidiary in China.  
 Exchanged rates for our business plan are used (¥/\$=¥115, etc)

# MUFG strengths (1) Network



- Largest global branch network of any Japanese financial group, opening new branches in growth areas

## Number of BTMU overseas offices



## New branches

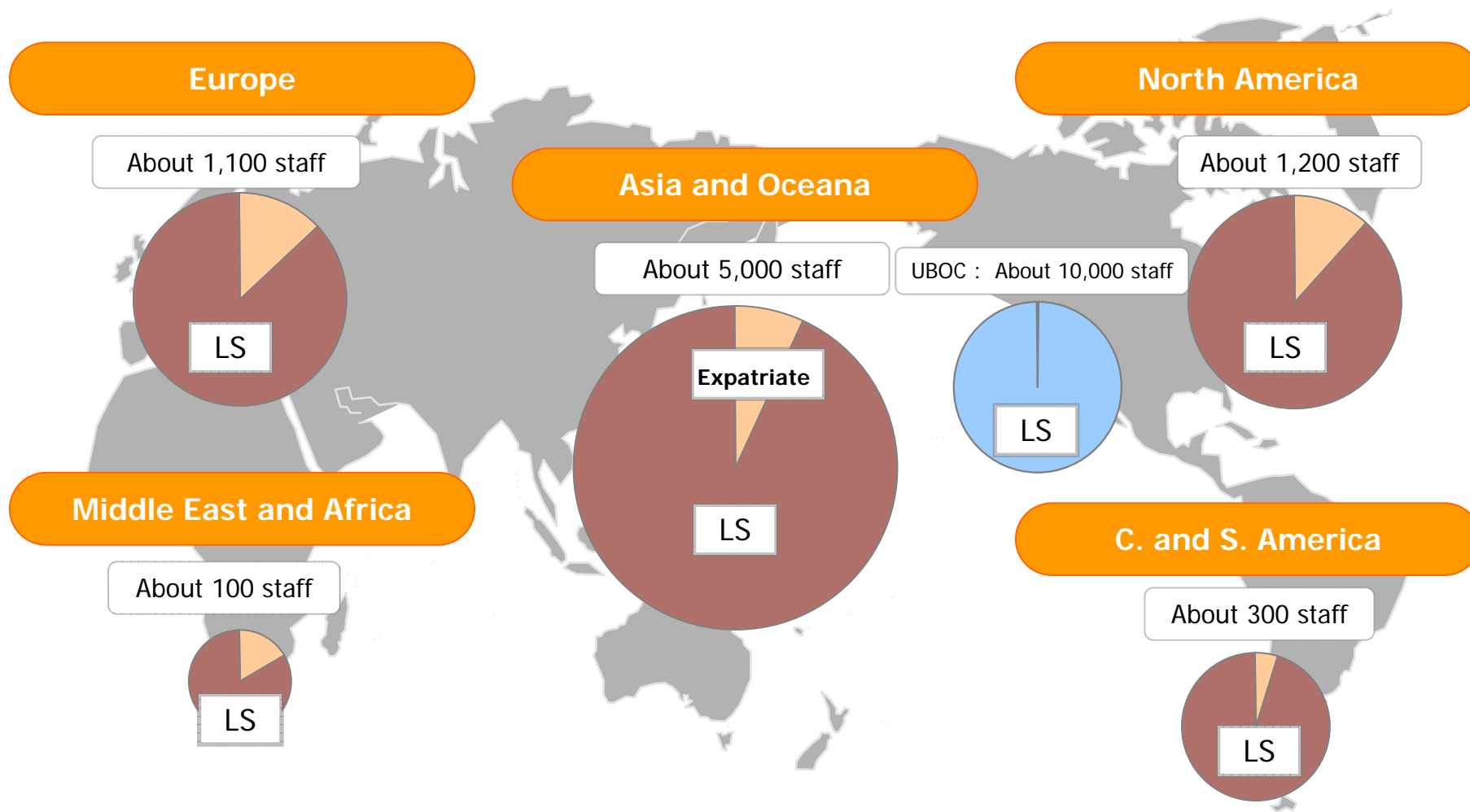
Asia	<p><b>Commercial banking:</b></p> <ul style="list-style-type: none"> <li>-Created Chinese subsidiary (Jul. 07)</li> <li>-Opened Wuxi branch (Dec. 06)</li> <li>-Opened Guangzhou branch (Mar. 08)</li> </ul> <p><b>Trust banking:</b></p> <ul style="list-style-type: none"> <li>-Established Shanghai subsidiary (Sep. 07)</li> </ul> <p><b>Securities:</b></p> <ul style="list-style-type: none"> <li>-Established Indian subsidiary (Apr. 08)</li> </ul>	Expanded upfront investment in growth areas (China / India)
Americas	<p><b>Commercial banking:</b></p> <ul style="list-style-type: none"> <li>-Established Kentucky rep. office (Dec. 07)</li> </ul>	Strengthened automotive sector
Europe	<p><b>Commercial banking:</b></p> <ul style="list-style-type: none"> <li>-Established St. Petersburg rep. Office (Apr. 08)</li> </ul>	Expanded Russian and CIS area coverage
Middle East	<p><b>Commercial banking:</b></p> <ul style="list-style-type: none"> <li>-Established Dubai Office (Sep. 07)</li> </ul>	Strengthened access to Middle Eastern funds

Note: Branch numbers are total of branches, sub-branches, representative offices and subsidiaries of BTMU as of end Apr. 08

# MUFG strengths (2) Operations



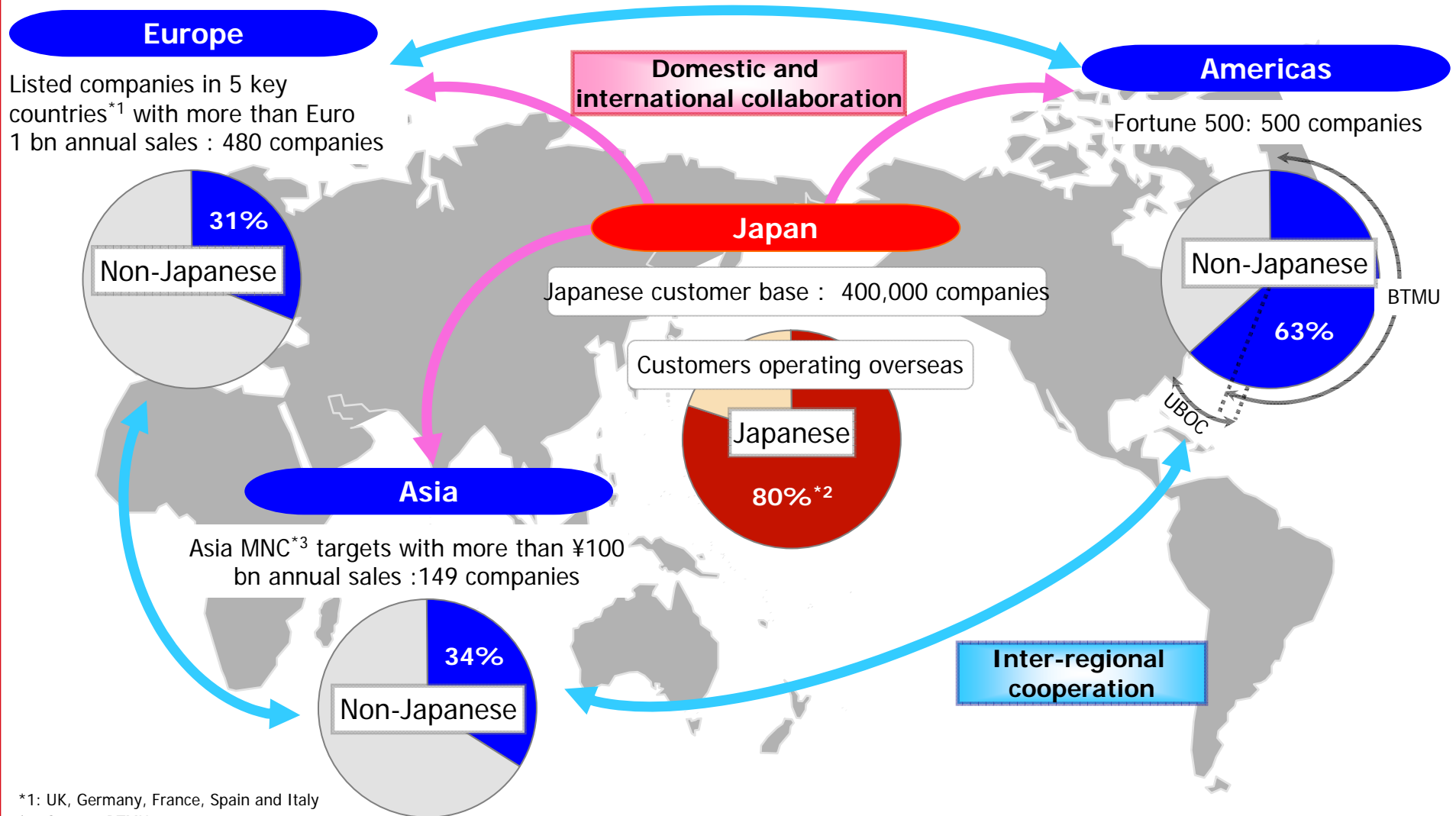
- Global commercial banking operations: Commercial bank non-consolidated: about 8,000 staff / Commercial bank consolidated: about 18,000 staff
- Actively developing local operations largely staffed by locally hired staff (LS)



# MUFG strengths (3) Customer base



- About 80%<sup>\*2</sup> of Japanese companies operating overseas are our customers; significantly expanding our base of non-Japanese customers, primarily quality firms



\*1: UK, Germany, France, Spain and Italy

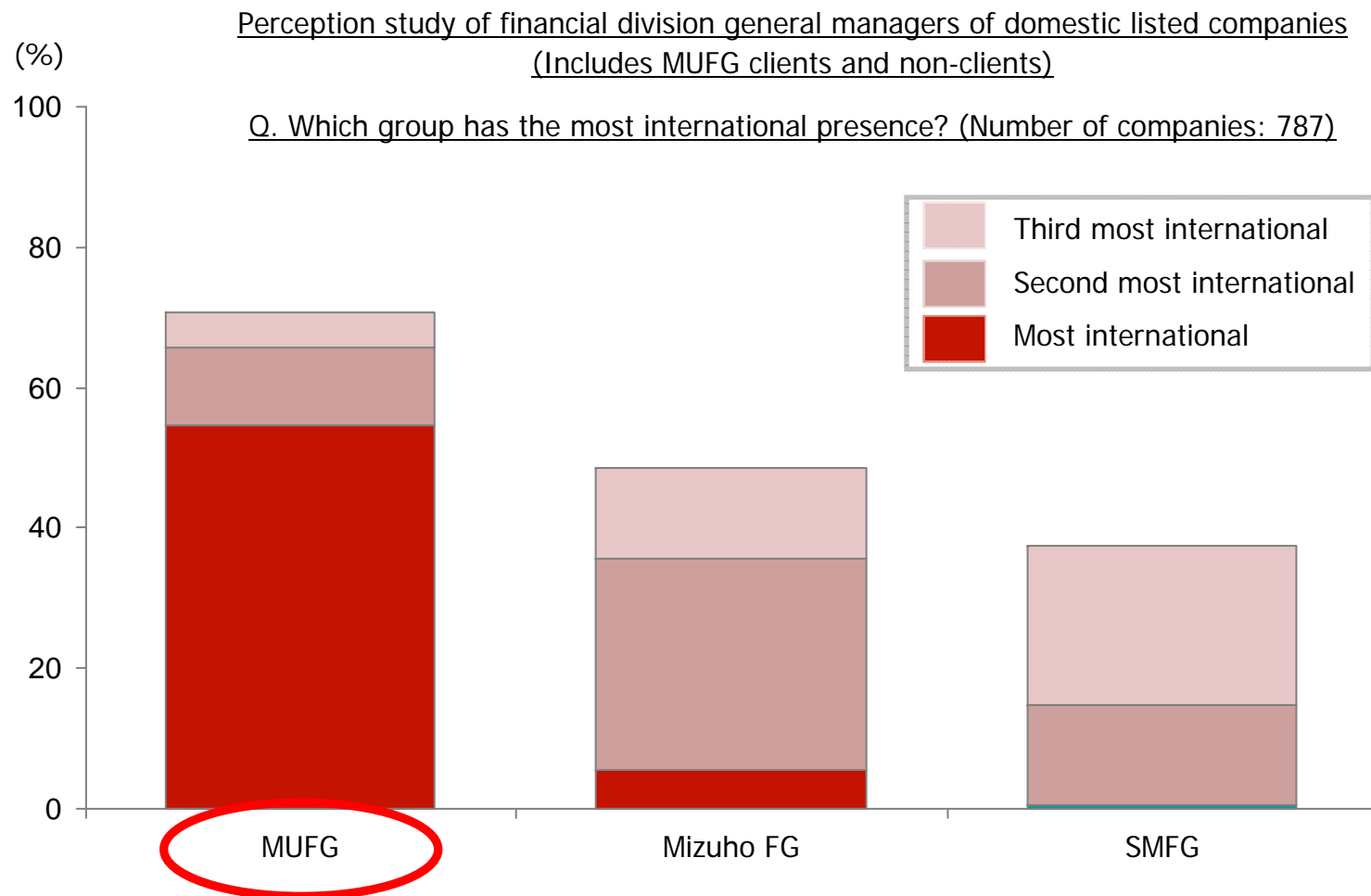
\*2: Source: BTMU

\*3: Multinational Company

# MUFG strengths (4) Customer perception



- An overwhelming presence in overseas business even in a customer perception study



Source: Mitsubishi UFJ Research & Consulting, 2007 Survey

Outline of overseas business

**Overseas business strategy**

Conclusion

- **Business environment**

- **Outline of MUFG's global strategy**

- **5 Pillar Strategies**

# Business environment (1)



- In the medium-term, strong growth is expected in Asia and other developing regions
- Rapid growth in Asia will create a corporate and investment banking market that ranks alongside those of the US and Europe

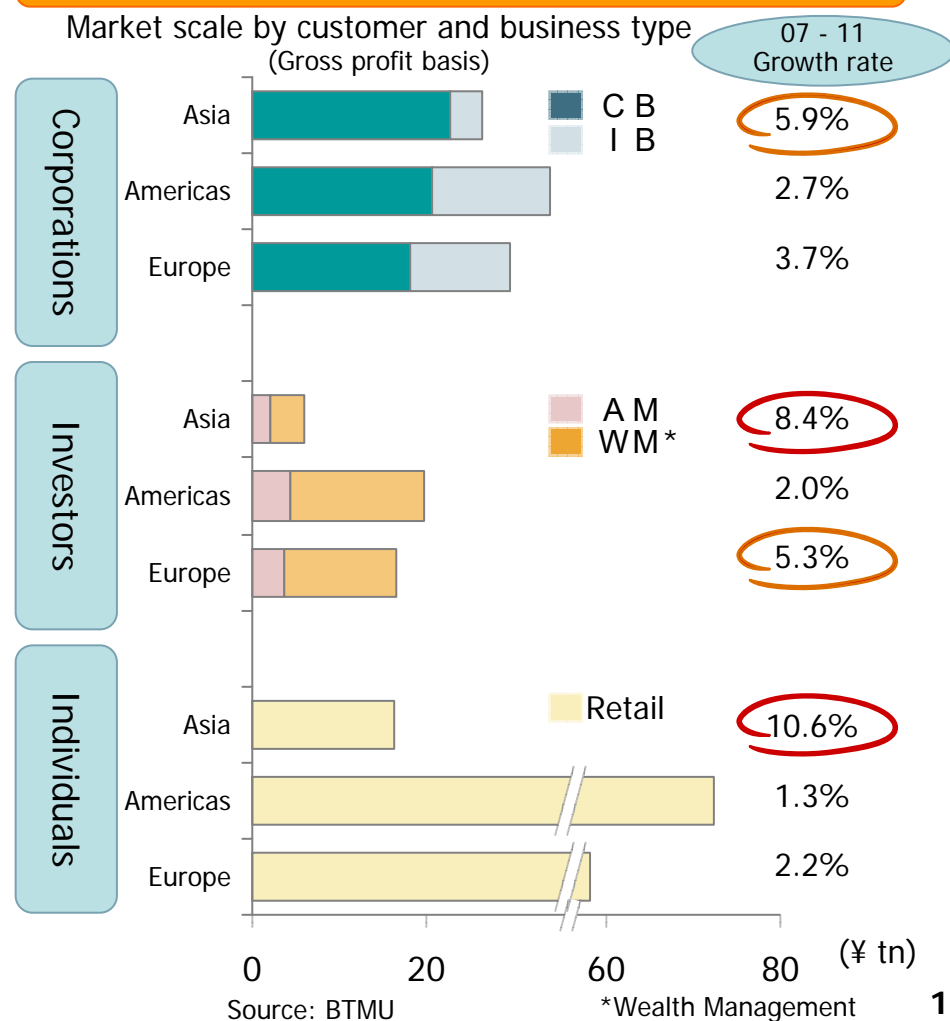
## Worldwide Real GDP forecasts

		2007	2011	2011 Share	07 - 11 Growth rate
		(\$ tn)	(\$ tn)		
Asia	Japan	4.4	4.7	8.3 %	1.6 %
	Asia	7.1	9.6	17.1 %	7.9 %
	Oceania	1.0	1.2	2.1 %	3.4 %
Americas	US	13.9	15.1	26.9 %	2.2 %
	C. and S. America	2.5	2.9	5.2 %	4.2 %
Europe	W. Europe	15.8	17.0	30.4 %	2.0 %
	Russia/E. Europe	2.4	3.0	5.4 %	5.6 %
	Middle East/Africa	2.2	2.6	4.6 %	4.2 %
Total		49.3	56.1	100.0 %	3.4 %

■ : Developed countries  
■ : Developing countries

Sources: IMF, BTMU Economic Research Office

## 2007 revenue pool

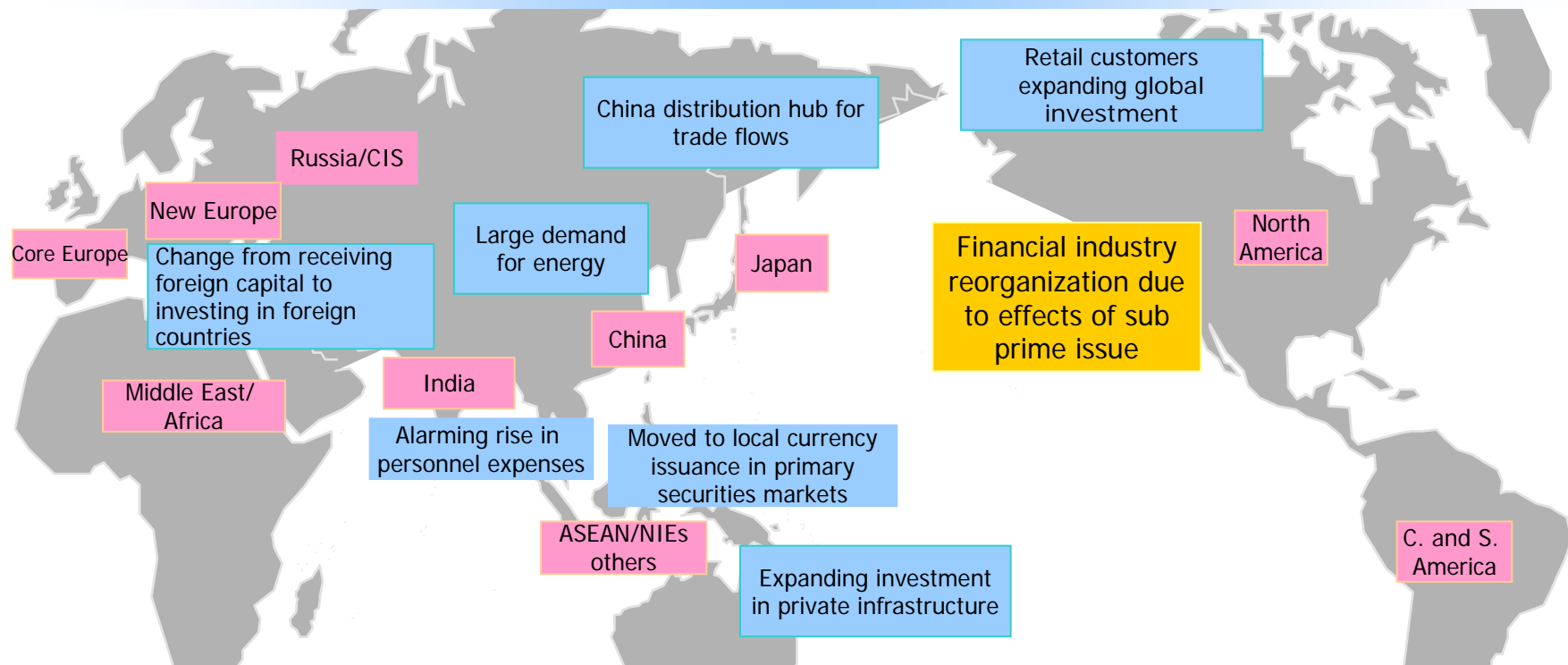




# Business environment (2)

- Growth of developing economies will lead to diversity of global money flows, away from focus on the US
- Growing presence of Asia & Middle East, SWF, Islamic Finance
- General view that high resource prices will continue in medium/long term; and global environment may suffer further damage
- Many US and European financial institutions seriously affected by effects of sub-prime issue. Business opportunities for MUFG are expanding

## Environmental issues on a global scale



The need to strengthen compliance is increasing

 External environment  Competitive trends

- Fully leverage MUFG's strengths and pursue 5 pillar strategies matched to the changing business environment

## MUFG's strengths

- Global network covering developed and developing countries
- Clear lead in business with Japanese companies overseas
- Longstanding local presence, experience
- Local business management mainly by local staff

## Business environment

- Strong growth in developing economies mainly in Asia and the Middle East
- Financial sector realignment triggered by sub-prime issue, customers returning to commercial banking
- Expanding demand for energy
- Expanding infrastructure investment
- Expanding global investment flows

## 5 pillar strategies

Strengthen Asia business

Leverage strong customer base and network to grow to become No. 1 in Asia

Strengthen business with non-Japanese customers in the US and Europe

Leverage our leading overseas network to expand base of non-Japanese customers/ accelerate cross-selling

Strengthen CIB-related business

Build on our track record in structured finance to win a position as a global top bank

Investment and alliance strategy

Supplement network, enter new businesses, expand operations and optimize portfolio

Strengthen our organization

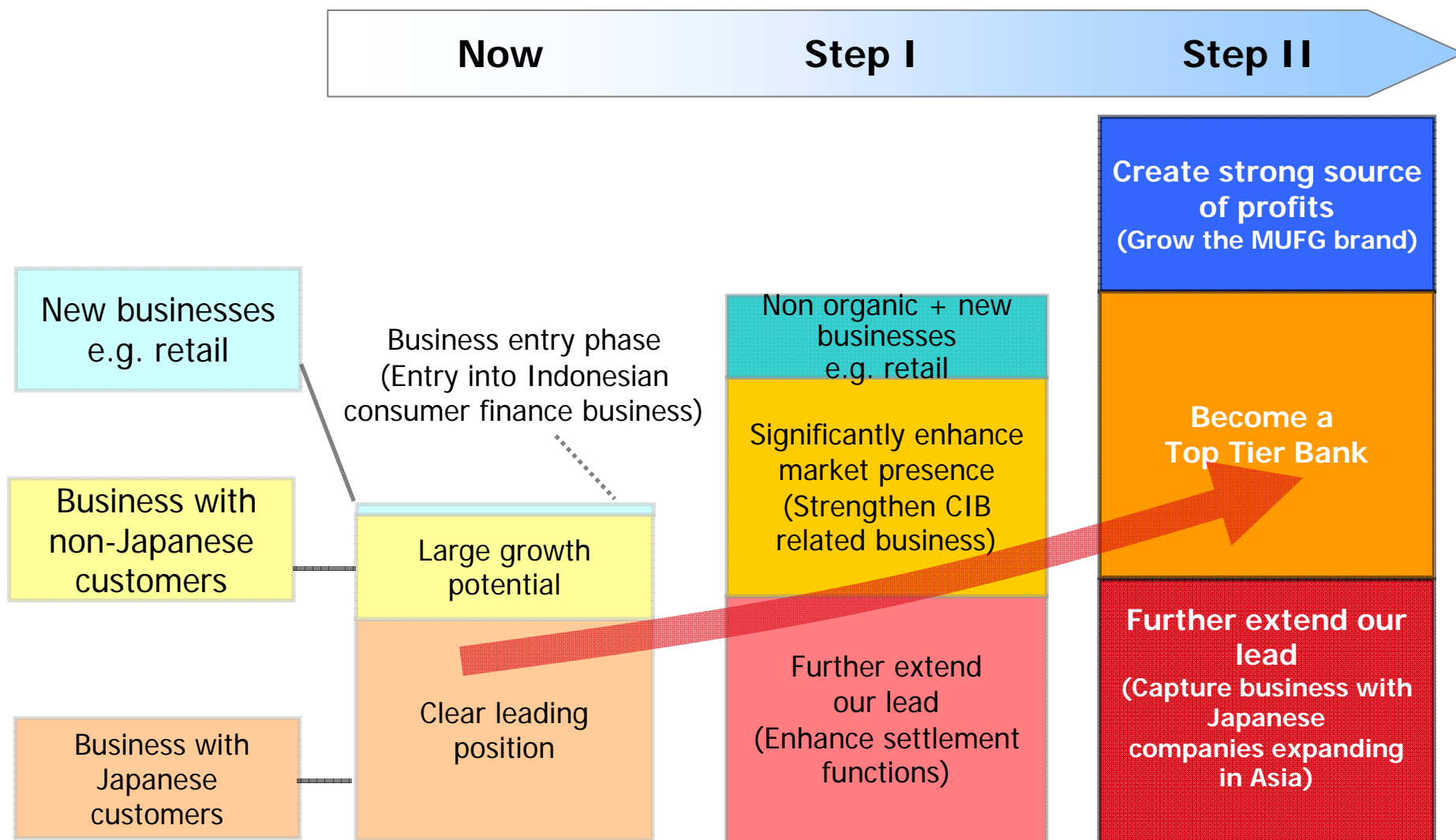
Develop first-class local staff/ Build robust overseas operations by creating a strong internal control framework

- **Asia business**
- **Business with non-Japanese customers in the US and Europe**
- **CIB-related business**
- **Investment and alliance strategy**
- **Strengthen organizational capabilities**

# Asia business (1) Our goal



- Aim to become Asia's No. 1 bank by expanding business with non-Japanese customers, developing new businesses such as retail business



# Asia business (2) Organic growth strategy

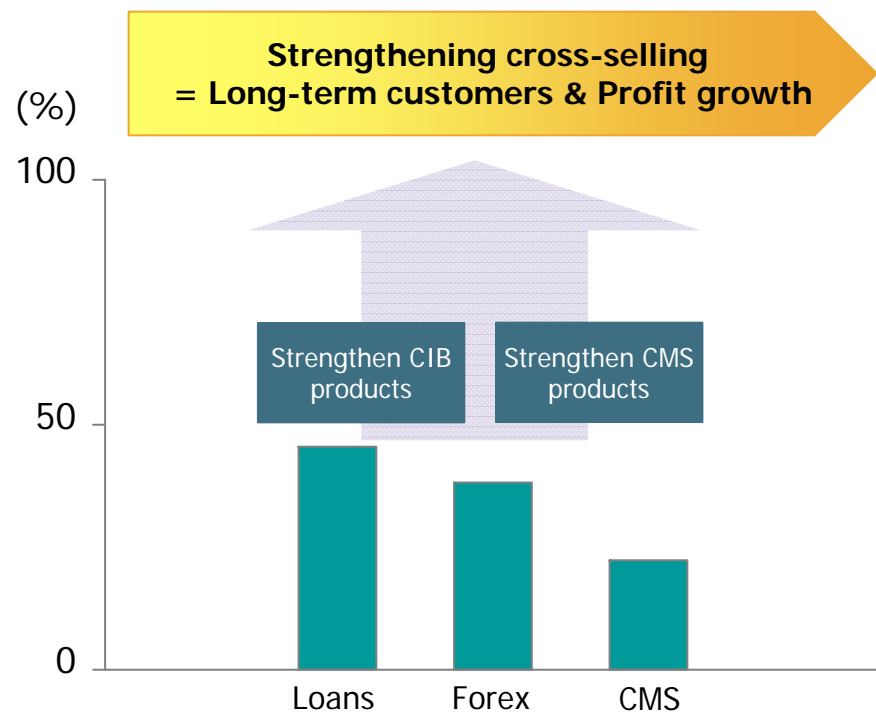
- Leverage the No. 1 Japanese bank network in Asia to accelerate growth of our Japanese/non-Japanese customer base, capturing commercial/settlements flows between European/US and Asia, inter Asia as well as between Japan and Asia
- Promote cross-selling of Loan, Forex and CMS products to customers

Expand customer base by capturing commercial/settlements flows (image)



● Branches/Offices ↔ Major trade flows

Promote cross-selling



# Business with non-Japanese customers in the US and Europe (1)

## Basic strategy



- **US** : Leverage CIB business across strong customer base and grow profits through unified management
- **Europe**: Diversify profit sources by expanding customer base and becoming a core bank of customers

**US** :Business with non-Japanese customers

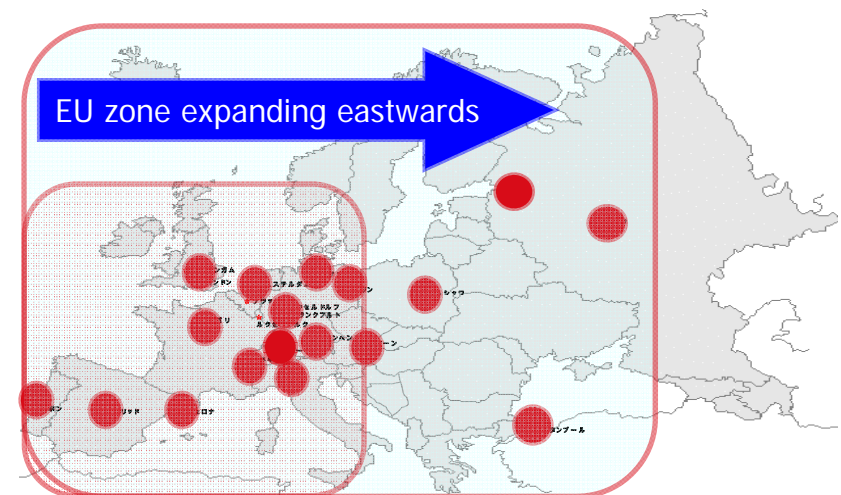
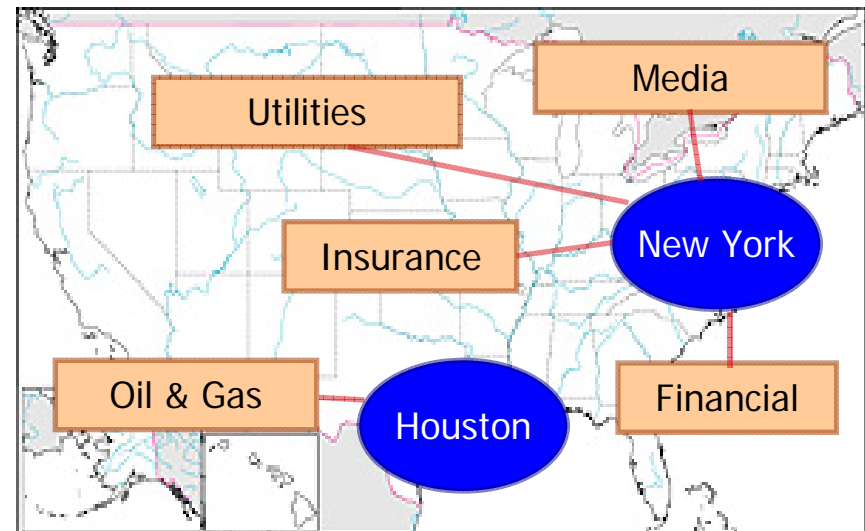
### Strong customer base

- Concentrate business with customers in 5 key sectors to NY and Houston office
- Strengthen proposals by unified management with CIB business, raise cross-selling ratio and grow profits

**Europe** :Business with non-Japanese customers

### Expansion of EU zone/ Active corporate reorganization

- Leverage branch network to grow customer base
- Target of 1,000 non-Japanese customers (869 as of End Mar. 08)
- Promote M&A finance to benefit from active corporate reorganization



## Business with non-Japanese customers in the US and Europe (2) Middle/Near East business

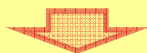


- Leverage MUFG's comprehensive strengths to expand our market presence in the rapidly growing markets of the Middle and Near East

### Middle and near East business has expanded significantly

- Revenue Pool growth 16.1%\* (2000 ~ 2006)

SWF asset management needs growing as oil revenues expand



**Fund management business**

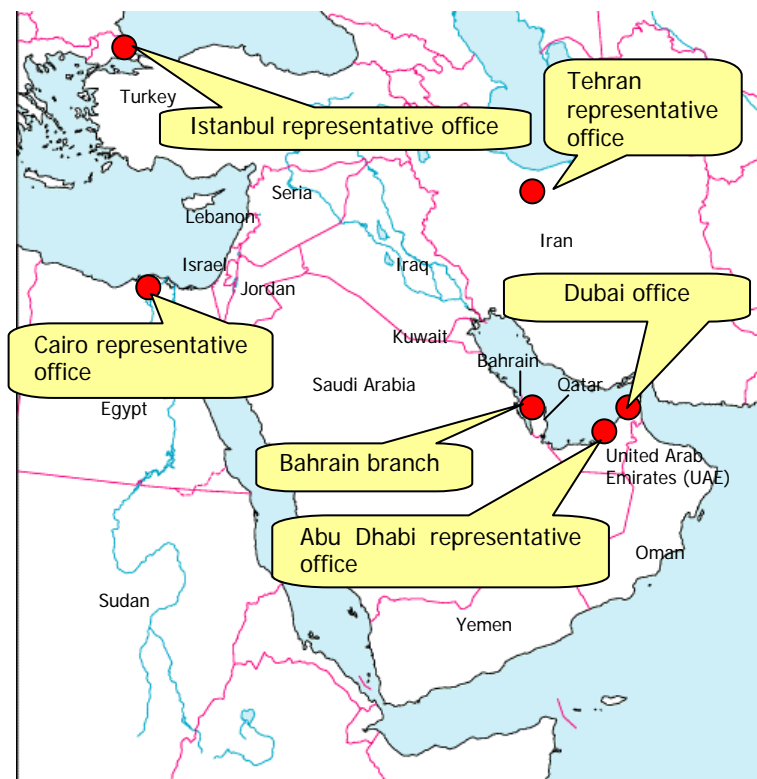
Increased needs for regional infrastructure development



**Funding business**

- MUFG will leverage its comprehensive Group strengths to develop business in this key strategic region
- Strengthen front-line marketing (further develop our office network)

No. 1 Japanese bank network with 6 locations



\* Source:BTMU

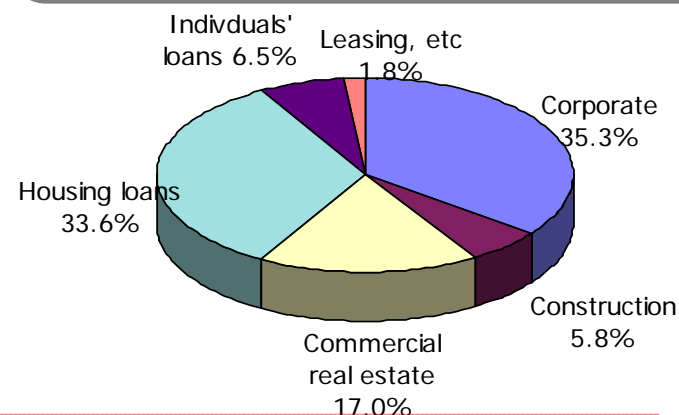
- No. 6 in California by deposits, strong in retail and mid-sized companies
- Collaborating and seeking synergies with MUFG in various businesses

## Financial highlights (Year ended Dec. 07)

Revenue	¥298.6 bn
Net business profit	¥109.6 bn
Total assets	¥6.4 tn
Loan assets	¥4.7 tn
Deposits	¥4.9 tn
BIS capital ratio	11.21%
Long-term rating	A (S&P)
Market cap.	¥0.8 tn
ROA/ROE	0.79% / 9.28%

Figures are on management accounts basis.  
 Exchanged rate for our business plan is used (¥/\$=¥115)

## UBOC loan portfolio



## Collaboration with MUFG

- Collaborates on U.S. West coast business with Japanese companies
  - Lending/securitization by BTMU. Deposits and settlement by UBOC
  - Creating a business model that leverages the strengths of BTMU and UBOC
- *California Account* service
  - US dollar non-resident accounts for BTMU customers in Japan
- Collaboration with MUTB in trusts business

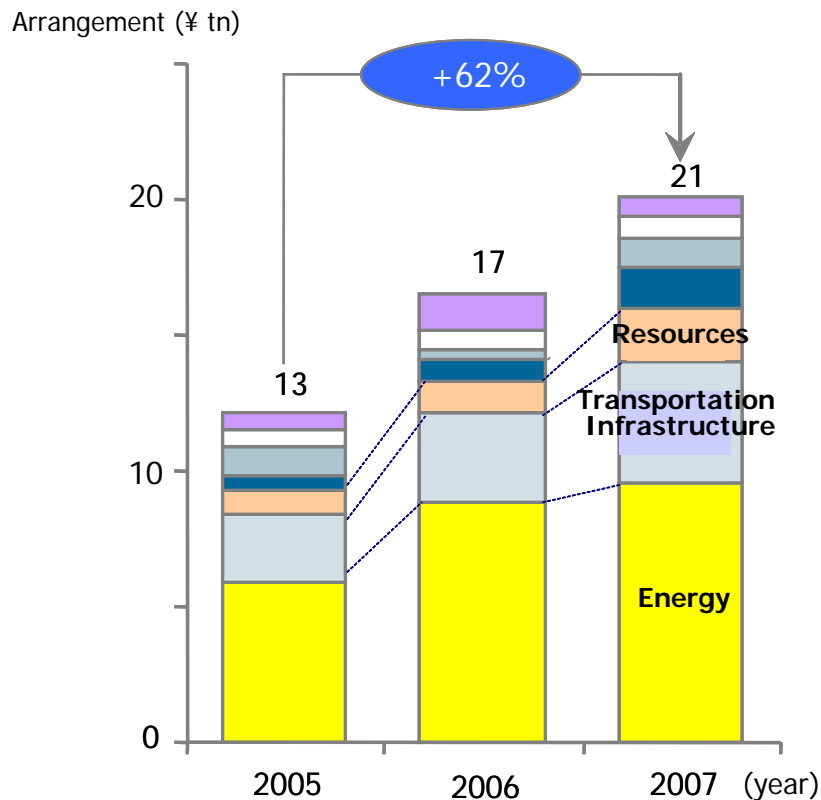


# CIB related business strategy to strengthen structured finance (1)



- Aiming to compete at the global top; Initially strengthening project finance
- Between 2005 and 2007, the market expanded 62% primarily in resources, energy, transportation infrastructure
- MUFG is in a good position to become a leading bank with particular strength in the energy sector

## Composition of the project finance market



Asia / Europe / Americas = 2 : 6 : 2

(Source: Thomson Financial)

## MUFG's position in project finance business

(2007 League tables)

### Rank Mandated Arranger

1	BNP Paribas
2	Royal Bank of Scotland
3	Dexia
.	.
.	.
.	.
10	MUFG

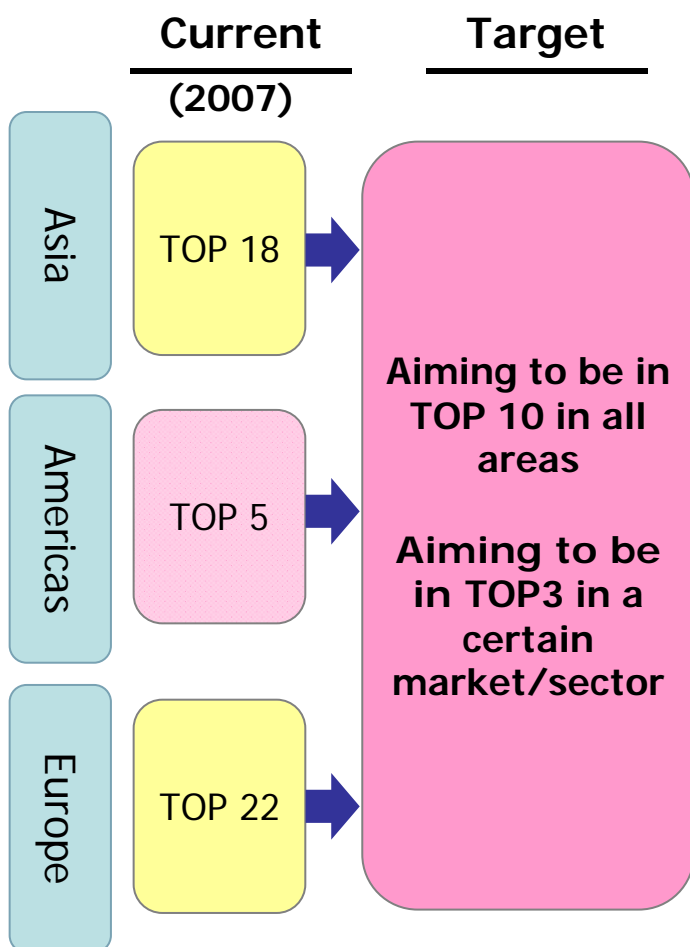
Aiming for a leading position

- Leading record in certain sectors
  - Alternative energy (Strong in wind-generated electricity)
  - Pipelines, etc.

(Source: Thomson Financial)

- Significantly strengthen structured finance business through a global approach, enhanced risk taking capabilities/enhanced staffing in order to gain a foothold as a top global bank

## League table targets



## Strengthening the following five factors to realize our goals

- Strengthen sector response globally
  - Accumulate global knowledge/Establish customer coverage framework
- Strengthen risk taking capabilities using sound B/S
  - Accumulate front office and credit screening expertise
- Actively strengthen staffing
  - Strengthen execution ability in focusing area/sector
- Create competitive human resource management
  - Actively promote local staff, train young staff
- Improve infrastructure
  - Develop a system infrastructure conducive to developing global operations

# Investment and alliance strategy (1)

## Strengthening regional coverage and functionality in Asia



- Promoting a collaborative Group approach to investments and alliances, creating a framework to supplement area coverage in Asia
- Established key synergistic alliances as the basis of active development in growth areas

	Investment/ Alliance	Head office/ Location	Investment/ alliance partner	Aim of alliance		
				New Functionality	Network benefit	New business opportunity
<b>Acquisition</b>	• Bank Nusantara Parahyangan	• Indonesia	• Regional mid-sized commercial bank			√ Retail
<b>Equity method</b>	• Dahshin Financial Holdings	• Hong Kong	• Major bank in Hong Kong	√ Small-medium sized businesses		√ Retail
<b>Investment</b>	• Bank of China	• China	• 11,000 domestic branches		√ Network in China	√ Retail
	• Kim Eng Hold.	• Singapore	• Largest ASEAN network	√ IB ( Secondary business )	√ Investor base	
	• Challenger Financial	• Australia	• Australia's No. 3 diversified financial services company/No. 1 in pension funds	√ IB (project finance, assets finance, etc.) investment products	√ Australian investor base	
	• CIMB	• Malaysia	• ASEAN's strongest IB. No. 1 in Islamic financing	√ IB ( Primary )	√ ASEAN investor base	√ Islamic financing
<b>Business alliance</b>	• China Merchants Bank	• China	• Leading Chinese commercial bank			√ Retail
	• Vietcombank	• Vietnam	• Largest domestic bank	√ IB business (M&A/Infrastructure related, etc.)	√ Network in Vietnam	
	• ICICI Bank	• India	• Largest Indian private bank	√ General IB	√ Network in India	√ Retail
	• Daewoo Securities	• Korea	• One of major Korean securities companies	√ General IB		

## Investment and alliance strategy (2)

Aiming for an overseas business ratio of more than 20%



- Promote strategic investment and alliance which fit our overseas strategy and with significant synergies

◆ Supplement functionality and network

◆ Enter new business fields

- Strengthen specialized organization in charge of strategic investment and alliance

- Further enhance locally hired staff at overseas operations to strengthen business execution
- Training core expatriate to further strengthen the development of globally active staff

## ■ Training locally hired staff (LS)

- **Asian Human Resource Development Center**  
-Open September 2008 (planned)

## Asian Human Resource Development Center

- Location: Singapore
- Appoint professional local staff as office heads and significantly improved local staff training

Begin by targeting training and career development

Wide ranging measures to strengthen systems including the reward structure, staff evaluation system, employment policies, etc.

Implement on a global basis including the Americas and Europe

## ■ Training core expatriate

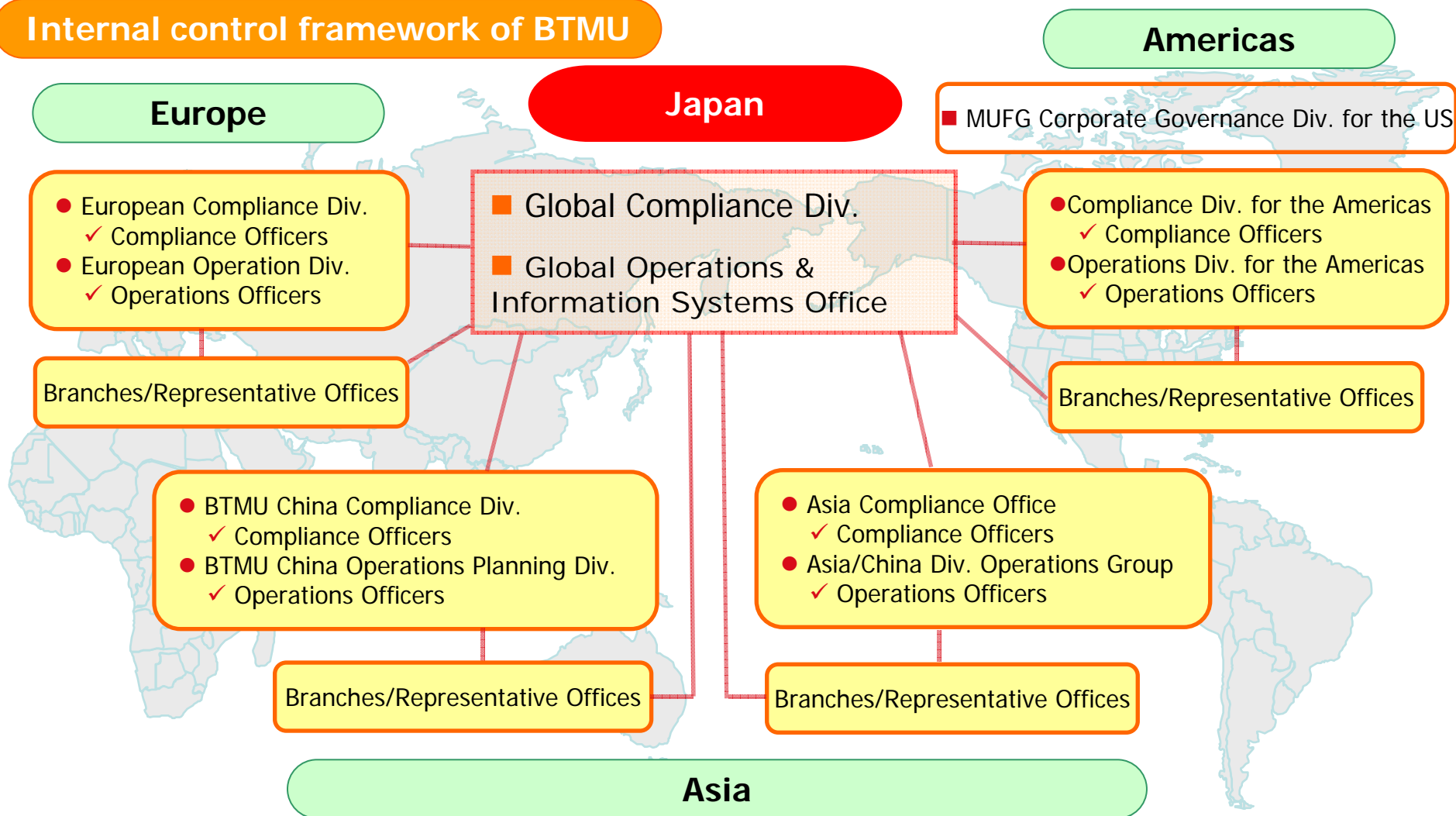
- Hired by area of expertise (International finance course)
- Dispatch more young staff from Japan (corporate division)

# Strengthen organization capabilities (2) Strengthen internal control



- Create an solid internal control system appropriate to a global bank
- Framework is largely in place, strengthen and clearly instill front line capabilities

## Internal control framework of BTMU



Outline of overseas business

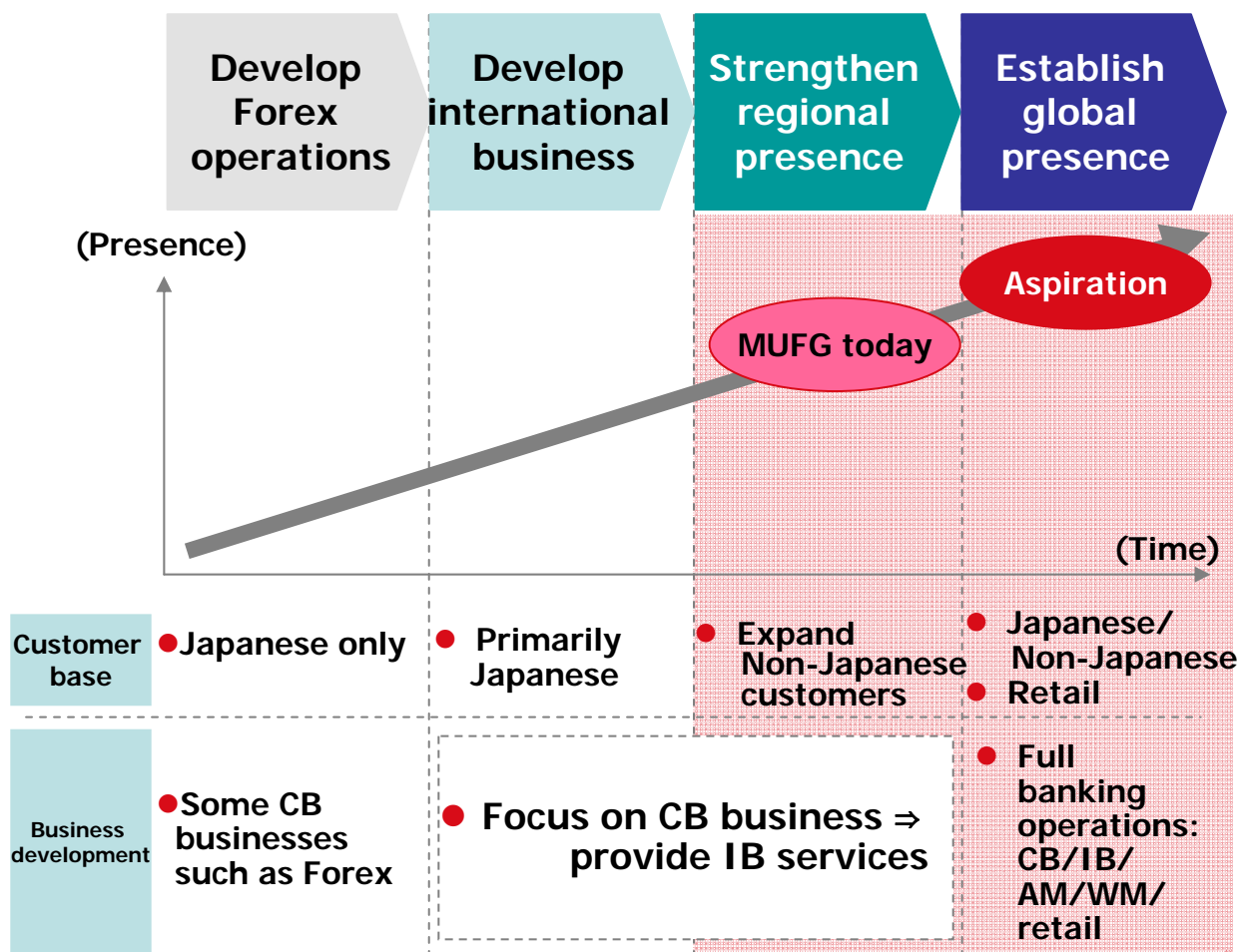
Overseas business strategy

**Conclusion**

# Aiming for a globally respected position (1)

- Stepping up from being Japan's leading bank to being a top global bank

## The global development process



- Contributing to Japan's internationalization
  - supporting the global development of Japanese companies

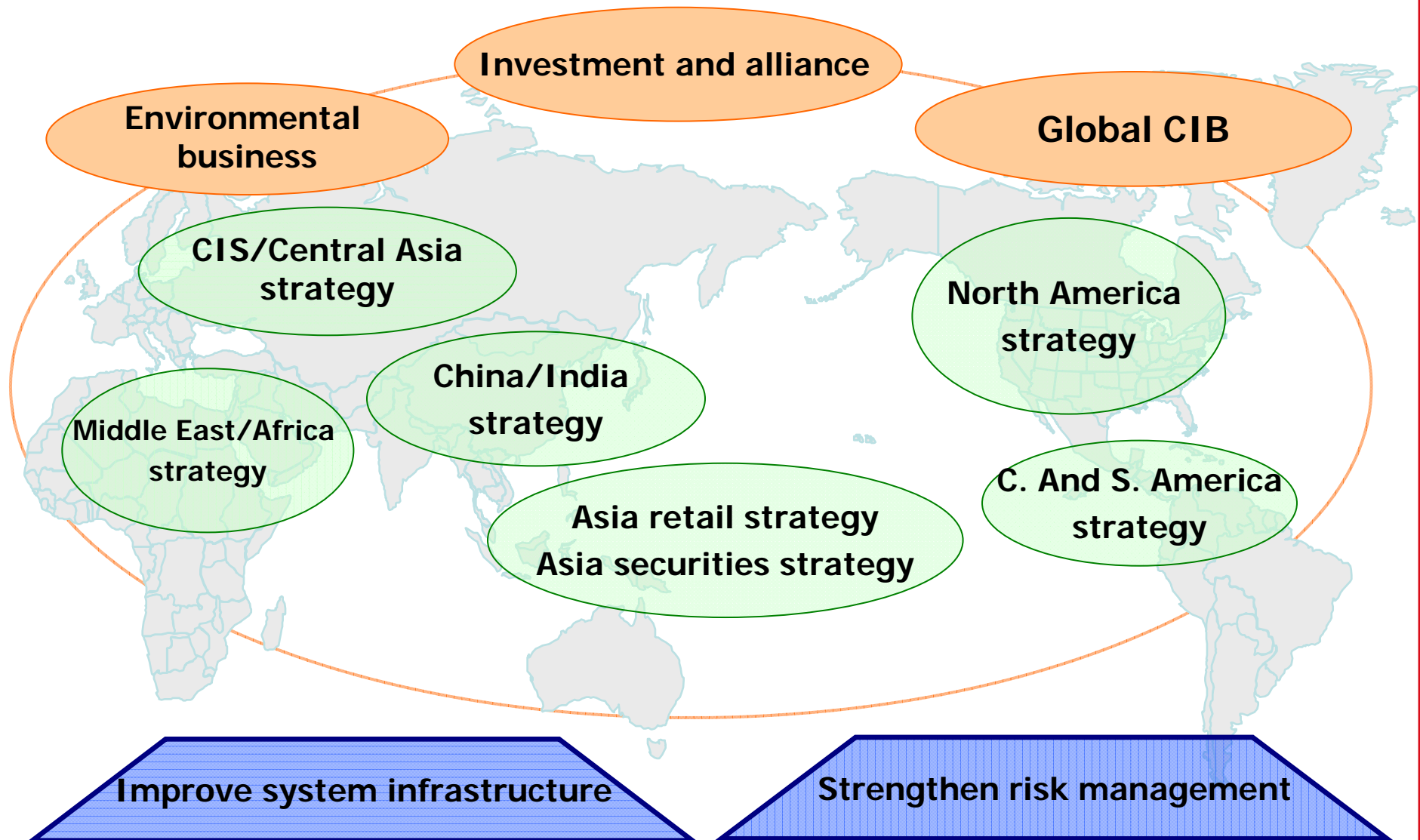
- Become a global universal bank by leveraging all Group strengths
  - Cooperation between the Bank, Trust bank and Securities company
  - Develop new businesses

- Establish global presence as a leading bank in the international financial market
  - Actively engage in cutting-edge financing
  - Contribute to environmental initiatives
  - Actively Provide opinions externally



# Aiming for a globally respected position (2)

- MUFG overseas business medium-term outlook



No.1  
Service

Quality for You

No.1  
Reliability

No.1  
Global  
Coverage

# Appendix

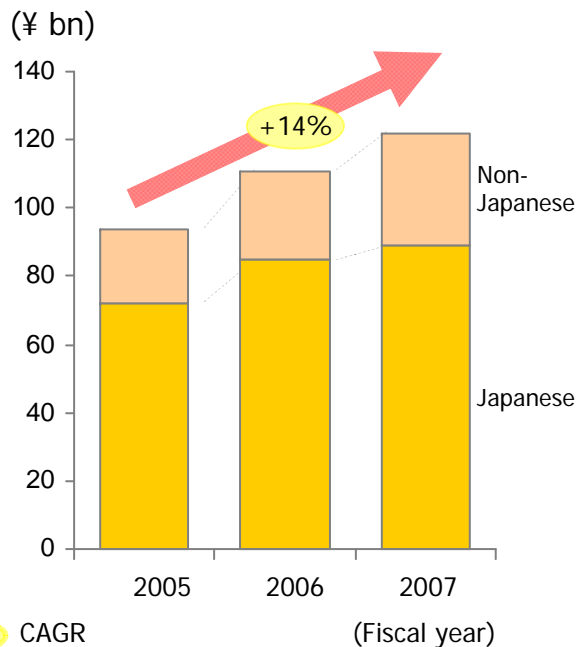
Quality for You   
MUFG

# BTMU operating results – Regions (by customer segment)



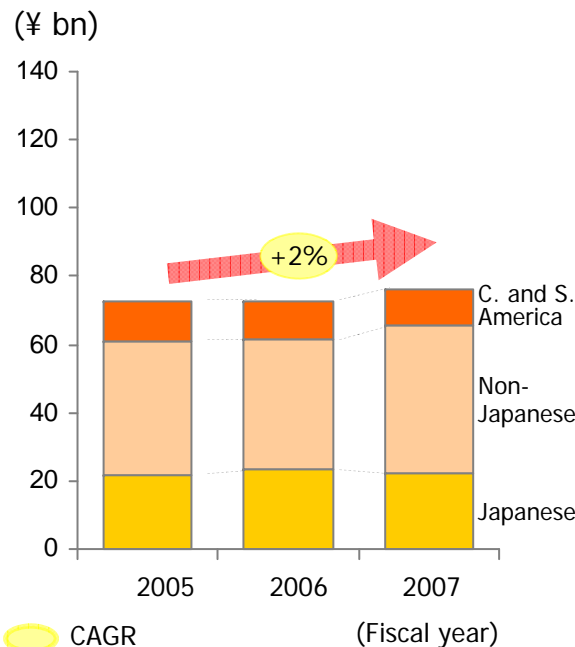
- Large growth of gross profits in Asia, increased revenues in the Americas and Europe primarily from business with non-Japanese customers

## Asia



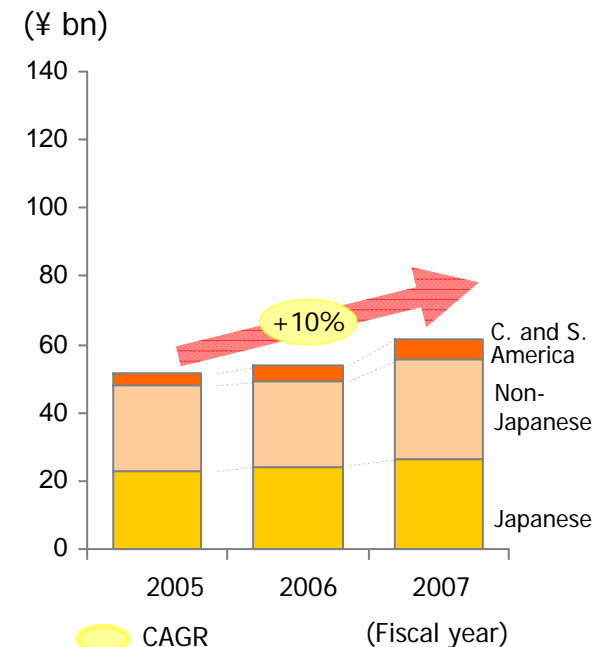
- Deepened country strategies
  - Launched Chinese subsidiary, etc. (July 2007)
- Accelerated build-up of loan book with non-Japanese customers
  - ¥2.3 tn → ¥3.1 tn (end 2006 → end 2007)

## Americas



- Strengthened revenues in a difficult environment
- Developed sector strategies for non-Japanese customers
  - Focus on the utilities, financials, media, insurance, and Oil/Gas sectors

## Europe



- Expanded our non-Japanese customer base in Russia, the Middle East and other emerging markets in addition to the core European region
- Strove to capture more Japanese business through branch network expansion

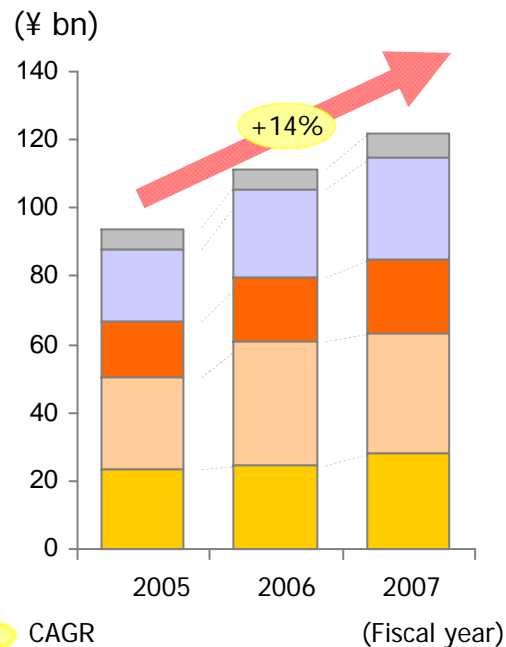
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# BTMU operating results – Regions (by product)



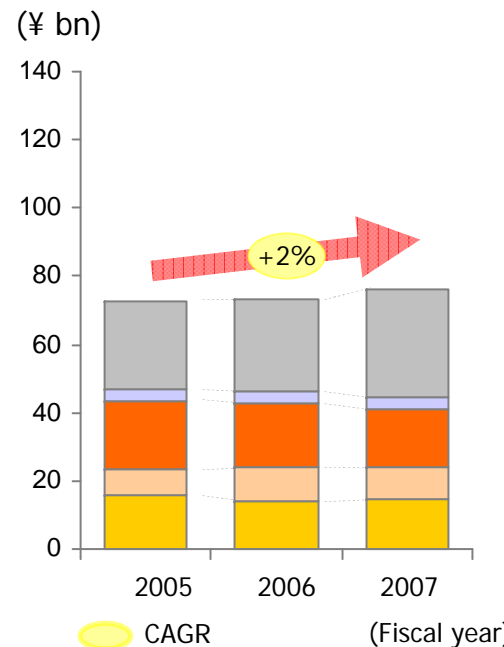
- Gross profits growth in Asia driven by traditional commercial banking. Increased CIB revenues in Europe and the Americas

## Asia



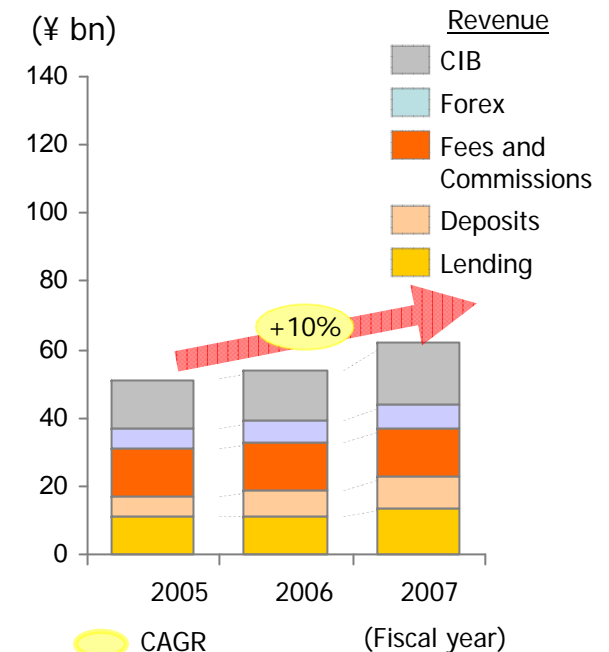
- Large contribution from lending revenue
  - Benefits of tailor made strategy for each major non-Japanese customer
- Expanded market products such as Forex and derivatives
  - Improved cross selling ratio

## Americas



- Growth driven by CIB revenues (10% average annual growth)
  - Contribution from increase in leasing revenues
  - Derivatives and syndicate loans were steady

## Europe



- Significant growth in CIB revenues (12% average annual growth)
  - Acquired project financing mandates in areas of strength such as wind-generated electricity
  - Acquisition finance mandates for large aircraft

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