

The Asian Strategy

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Quality for You

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The Outline of Asia

Millenary Changes in GDP (AD1~2050)



- Asia was the economic center with more than half of the world GDP until the middle of the 19th century.
- The center has moved to Europe and the US since then, however, it is widely expected to return to Asia by the middle of the 21st century.



(Source) AD1~1950: Angus Maddison, 2000~2015: IMF, 2050: Asian Development Bank

(Note) 1. Asia includes 5 Central Asia, 3 Caucasian countries and Iran only for 2050.

Changes from Asian Financial Crisis



- Current-account to GDP ratio and foreign exchange reserves of major countries in Asia have improved and increased while the external debt to GDP ratio has declined since the Asian financial crisis.
- The economic situation has improved significantly with higher resistance to economic crisis.



(Source) BTMU Economic Research Office

Foreign exchange reserves / Imports

Shift in Demographics

- One of the factors of Asia's economic growth is its demographic bonus where the working age population shows increase over the dependent population.
- Asia is expected to constantly have countries with demographic bonus and to maintain high growth.

Ratio of Working Age to Dependent Population¹



(Source) UN

(Note) 1. Working age: between 15 and 64, Dependent population: up to 14 and 65 or over

Overview of Japan's Financial History

- Asia consists of various countries which vary in economic fundamentals, regulations, and financial development.
- It is essential to consider what and how each country is in making the strategies and business plans.



Financial Markets in Major Countries in Asia

- Diverse Asian countries are classified into three categories.
- As the degree of economic / financial development differs, expected financial needs and banking business also vary.



(Source) IMF and Ministry of Foreign Affairs of Japan

igure 2: Stages of Financial Development by Economy Type				
	Self-sustaining economies	Japan-dependent economies	Peripheral countries	
GDP per capita	USD 13,000 or more	Under USD 8,000	Under USD 1,000	
Stage	Growth - Maturity	Development	Dawn	
Banking business	Advanced	Advancement started	Mainly deposits and loans	

(Note) 1. Japan's cumulative ODA to the country divided by GDP of the country (2009) 2. Volume of trade with Japan divided by total trade of the country (2010)
 3. Cumulative direct investment by Japan divided by the total direct investments to the country (2009)

The Asian Strategy

Commitment to Asia Spanning Two Centuries



- BTMU's presence in Asian stretches back to the 19th century (as Yokohama Shokin Bank).
- Despite interruptions due to war and internal conflicts our commitment has continued through two centuries.



Mid-Term Business Plan in Asia



Next stage in Asia business - to become a financial group with an increasing global presence

Build a solid industry position as a No.1 foreign bank in Asia (outside Japan) by constantly upgrading the business model from the perspectives of business expansion and internal controls.

	Strategies	Content	
A	Unified Approach	Strengthen cooperation within and beyond Asia to support companies expanding business globally.	
в	Enhanced Office Functions	Build a strong organization to address the accelerated business expansion of clients into Asia and tightening local regulations.	
С	Strengthening of Asian HQ Functions	Support office administration, assisting expansion of businesses in Asia.	
	The Contraction		
	EMEA Cros		
	Regio	nal Enhanced	
		Office Functions	
	- A BE	C	
		HQ HQ	
		Support	
		A ASIA	
		Unified Approach	

Targeted Countries / Region and Key Strategies



	Greater China (China, Taiwan and Hong Kong)	India	Indonesia	Korea
Туре	Self-sustaining economies (Stage of growth – maturity)	Peripheral countries (Stage of dawn)	Japan-dependent economies (Stage of development)	Self-sustaining economies (Stage of growth)
GDP per capita	USD 4,000 (China) – USD 31,000 (HK)	USD 1,000	USD 3,000	USD 20,000
Population	1.37 billion (top in the world)	1.21 billion (second in the world)	0.24 billion (fourth in the world)	0.05 billion (twenty-fifth in the world)
GDP	USD 6.6 trillion	USD 1.6 trillion	USD 0.7 trillion	USD 1 trillion
Revenue pool (2015E)	USD 1,021.0 billion	USD 135.0 billion	USD 61.0 billion	USD 71.0 billion
The remaining years of population bonus	5 years	30 years	15 years	0 years
RORA (=pretax income / risk assets)	Taiwan 0.7% - China 1.6%	1.6%	3.3%	1.3%
Outstanding of securitization (2009)	USD 5.0billion	USD 20.0billion	USD 0.01billion	USD 30.0billion
Key strategies	 Promote trade finance business by capturing trade flow of client companies. Capture RMB settlement business associated with trading / investments. Participation in primary and secondary bond markets business. 	 Expand settlement business for client companies focusing on domestic sales. Capture large infrastructure development deals and investment deals. Opening branches in areas favored by Japanese companies. 	 Support collaboration between client companies focusing on domestic sales and local companies. Promote trade finance business, capturing company's trade flow. Consider moving into SMEs, retail business. 	 Strengthen marketing to global companies in Korea Providing support for diver financing needs including securitizations and oversea projects.

(Source) UN, IMF etc.

Asian Strategy (i)

- Solid increase in gross profits with both Japanese and non-Japanese. Growing in CIB and forex income in addition to loans income. Ensuring a good revenue balance in each region.
- Aiming to increase gross profits for FY14 by 50% from FY11.



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

1. Figures for gross profits are those from customer business

* * * Hong Kong Australia Singapore China (US\$bn) (US\$bn) (US\$bn) (US\$bn) 14.5 15.0 15.0 15.0 15.0 12.7 11.3 10.3 9.1 10.0 10.0 10.0 10.0 8.5 8.0 7.8 7.5 7.6 7.2 6.9 6.5 6.8 6.5 6.2 5.0 5.0 -5.0 5.0 0.0 0.0 0.0 0.0 End Sep 10 Mar 11 Sep 11 Mar 12 Non-Japanese Japanese Non-Japanese Japanese Non-Japanese Japanese Non-Japanese Japanese Korea Thailand India Indonesia (US\$bn) (US\$bn) (US\$bn) (US\$bn) 15.0 15.0 15.0 15.0















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

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

Asian Strategy (iii)

- Upgrade the Asian business model and become established as the leading foreign bank.
- Improve products and services while strengthening marketing within and beyond the region through commercial bank/trust bank/securities cooperation; improve regional governance by bringing Head Office functions to the Asian front line.

Greater China (China/HK/Taiwan)

- Through steps such as obtaining a first foreign bank certification for each of new operations, such as issuing RMB bonds in China mainland, establish position as a first class foreign bank
- Strengthen loan and settlement business, etc. by cooperating with branches (20 locations) within the region. Upgrade RMB-related business
- Aim to expand network centered on China

Comparison with foreign banks' subsidiaries in China (2011)



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

India

- Strengthen loan and cross-selling business to major non-Japanese corporations
- Achieve critical mass in S&T business by bringing it under joint control with Global Markets
- Further strengthening largest network of any Japanese bank by opening new branches (now 3 branches)

Korea

- No.2 in net business profits after HSBC among local branches of foreign banks¹, as a result of close relationships with Korean corporations
- Strengthen marketing and aim for core bank status, assisting Korean corporations with globalization. (Set up Global Korean Business Office)
- Strengthen securitization, ECA finance, project finance and capital market business
- (Note) 1.Japanese banks: Apr 10 Mar 11, other foreign banks: Jan 10 - Dec 10

Indonesia

- Having opened the branch more than 40 years ago, solid business base centered on Japanese corporations. Top lender among foreign banks
- Capture more infrastructure/resource finance and M&A projects. Strengthen business with financial institutions and syndicated loans
- Strengthen local group synergies (CIMB, etc)

Australia

- Strengthen project finance and resource/ infrastructure-related loans to large non-Japanese organizations (Setting up the Perth branch to make 3 branches in Australia and Australian Structured Finance Office)
- Alliance with AMP, one of the Australian "big 5" financial institutions

Appendix

Global Network (China, Hong Kong, Taiwan, Korea)



China, Hong Kong, Taiwan, Korea



Global Network (South East Asia, India, Oceania)



South East Asia, India, Oceania



Overview of Recent Investments and Alliances in Asia



Pursued investments and alliances, focusing on high-quality Asian companies.

Investments and alliances ¹		
*)	China	Investment in and business alliance with Bank of China (BTMU, Jun 06)
*3	China	Invest in asset management subsidiary of Shenyin & Wanguo Securities to make an equity method affiliate (MUTB, Apr 11)
۲	India	Business alliance with ICICI (MUSHD, Aug 06), Tata Capital (MUSHD, Aug 08)
	Indonesia	Investment in Bank Nusantara Parahyangan (BTMU, Dec 07)
\star	Vietnam	Business alliance with Vietcombank (BTMU, Nov 06)
	Malaysia	Business alliance with CIMB (BTMU, Oct 06), additional investment in CIMB (BTMU, Aug 11)
	Korea	Business alliance with Daewoo Securities (MUSHD, Jan 07)
s	Hong Kong	Additional investment in Dah Sing Financial Holdings to make an equity method affiliate (BTMU, Jun 08), business alliance with Dah Sing Financial Holdings (BTMU, Sep 08)
* *	Australia	Capital and business alliance with AMP Capital Holdings to make an equity method affiliate (MUTB, Mar 12)

(Note) 1. As of End Mar 12