



Mitsubishi UFJ Financial Group

Mitsubishi UFJ Securities Holdings Business Strategy

January 2013

Quality for You

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

Overview of Mitsubishi UFJ Securities Holdings

- History and group overview 4
- FY2012-14 Medium-term Business Plan vision and strategy 5

Outline of Financial Results

- Financial results 7
- FY2012 H1 results summary 8
- Financial results comparison with other Japanese securities firms 9

Major subsidiaries' position and strategy

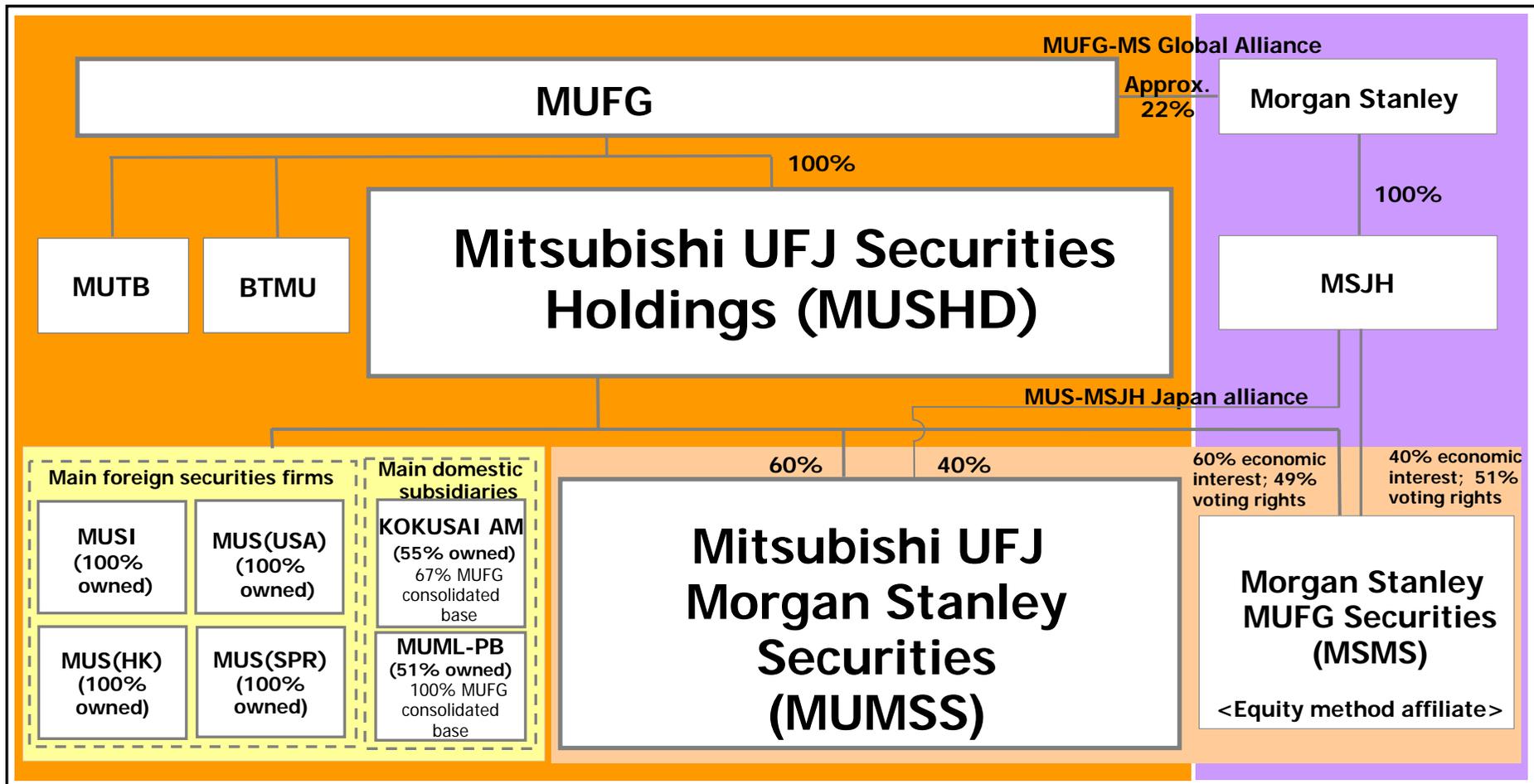
- Domestic securities strategy 11
 - MUMSS Financial results
 - MUMSS Sales divisions
 - MUMSS Investment banking business unit
 - MUMSS Global market business unit
- Private banking strategy 21
- Global strategy 22

Overview of Mitsubishi UFJ Securities Holdings

History and group overview



- Apr. 2010 Mitsubishi UFJ Securities Holdings (MUSHD) established
- May 2010 MUSHD group company Mitsubishi UFJ Securities integrated with Morgan Stanley Japan Securities's investment banking operations and was renamed Mitsubishi UFJ Morgan Stanley Securities
- MUFG's core securities group including domestic and overseas securities and asset management firms



Our Vision

- As a part of the world's most trusted financial group—
1. Work together to exceed the expectations of our customers
 2. Provide reliable and constant support to our customers
 3. Expand and strengthen our global presence
 4. Inspire the trust of shareholders by enhancing corporate value



Medium-term Business Plan Vision

To respond to customers' diverse needs as MUFG's core securities group by collaborating with MUFG group companies as a bank-affiliated securities firm, and by leveraging our relationship with JV partner Morgan Stanley



Core Strategy

1. Drive BTMU/MUSHD collaboration (in Japan) and utilize Morgan Stanley's global reach to provide high quality service
2. Pursue collaboration between our overseas subsidiaries and MUFG group companies
3. Strengthen management fundamentals and control
 - Significantly strengthen risk management and other functions required for global governance
 - Create a robust operational base built on self-sustaining cost control culture

Outline of Financial Results

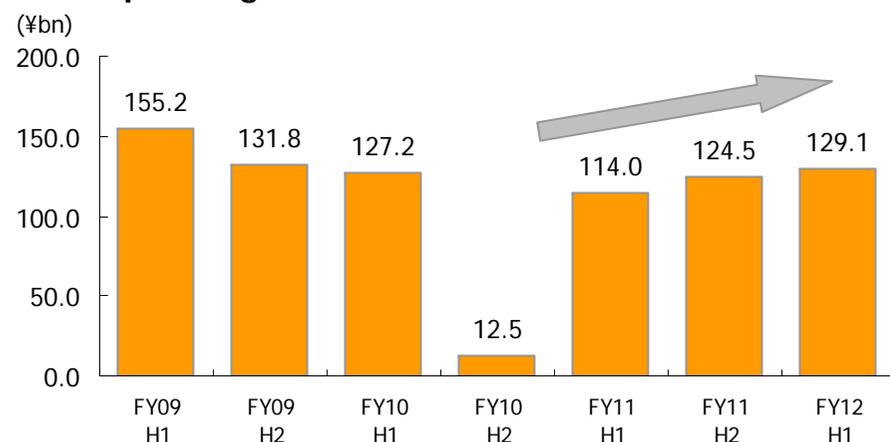
Financial results

(MUSHD consolidated)

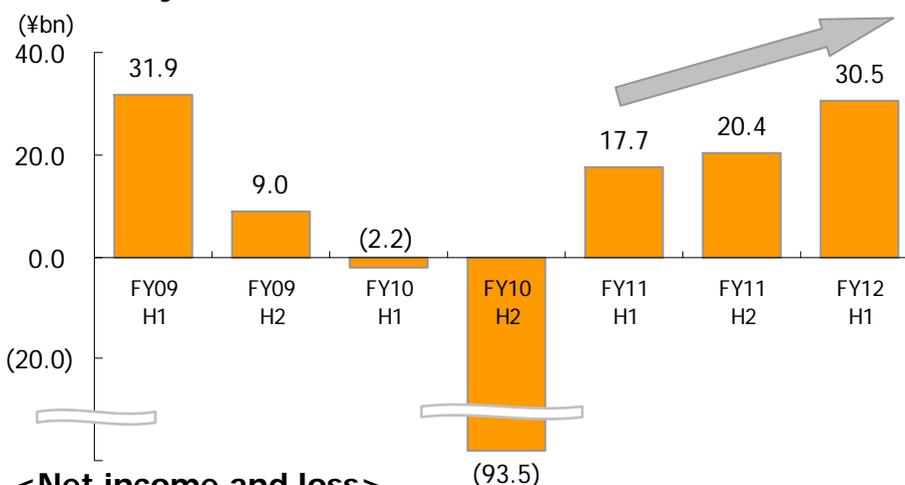


- Following large losses in the trading business in FY2010, business structure was reformed and returned to profit in FY2011 H1, and later income increased steadily
- Main initiatives: Thoroughly strengthened collaboration with BTMU and Morgan Stanley, reduced fixed costs through a range of cost-cutting initiatives, and transformed business model of global market business

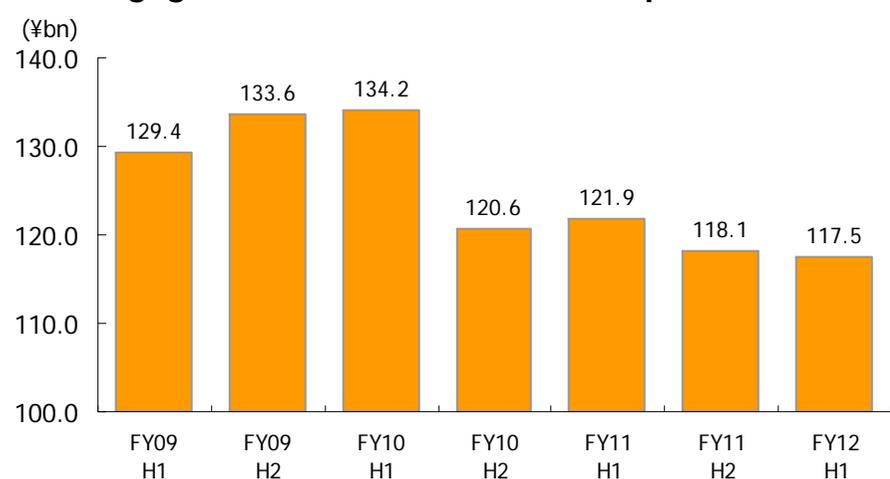
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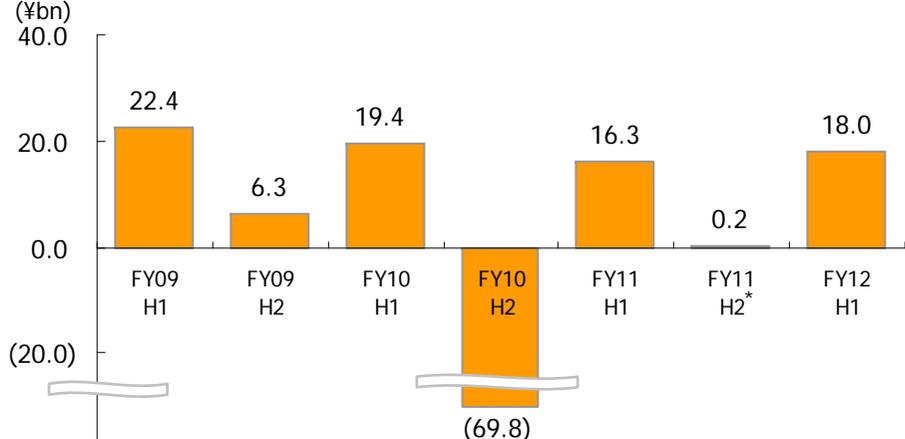
<Ordinary income and loss>



<Selling, general and administrative expenses>



<Net income and loss>



* FY2011 H2: MUMSS early retirement program resulted in extraordinary loss

FY2012 H1 results summary

(MUSHD consolidated)



- Underwriting, secondary distribution commissions and trading income strong. Returned to operating profit, helped by lower SG&A expenses
- Increases in ordinary income and net income

● Net operating revenue

■ Commissions received

- Commission to consignees: declined due to sluggish market conditions
- Underwriting, secondary distribution commissions: increased due to winning of lead manager mandates on large IPO
- Offering, secondary distribution commissions: investment trust sales commissions declined
- Other commissions: Commissions to consignees declined due to decrease in KOKUSAI AM's investment assets. MUMSS increased due to good performance in M&A advisory

■ Trading income

- Large increase in income by steadily capturing client transaction flow

● SG&A

Decreased due to restrained spending

<Consolidated income statement>

(¥bn)

	FY11 H1	FY12 H1	Change
Operating revenue	152.8	155.2	2.4
Commissions received	73.0	69.0	(3.9)
Commission to consignees	9.2	7.3	(1.8)
Commission for underwriting, secondary distribution	6.6	12.7	6.1
Fee for offering, secondary distribution	17.9	14.9	(2.9)
Other fees received	39.2	33.9	(5.2)
Net trading income	36.5	49.4	12.8
Stocks	(9.0)	(9.3)	(0.3)
Bonds, others	45.5	58.7	13.2
Financial revenue	44.6	36.7	(7.8)
Financial expenses	38.7	26.1	(12.5)
Net operating revenue	114.0	129.1	15.0
Selling, general and administrative expenses	121.9	117.5	(4.4)
Operating income(loss)	(7.8)	11.5	19.4
Non-operating income	27.6	19.7	(7.8)
Interest income	3.6	3.5	(0.0)
Equity in earnings of affiliates	19.7	12.0	(7.7)
Non-operating expenses	1.9	0.8	(1.1)
Ordinary income	17.7	30.5	12.7
Extraordinary income	6.8	1.1	(5.6)
Net income	16.3	18.0	1.6

Financial results comparison with other Japanese securities firms



(¥bn)

	MUSHD		Nomura Holdings		Daiwa Securities Group		Mizuho Securities (consolidated)		SMBC Nikko Securities (consolidated)	
	FY2011	FY2012 H1	FY2011	FY2012 H1	FY2011	FY2012 H1	FY2011	FY2012 H1	FY2011	FY2012 H1
Operating revenue	306.9	155.2	1851.7	900.8	422.3	227.3	228.5	138.1	251.2	118.7
Net operating revenue	238.5	129.1	1535.8	770.9	336.0	175.3	167.1	106.7	228.8	108.5
Commision received	143.0	69.0	551.0	244.3	220.8	100.6	118.7	57.7	119.4	53.3
Commision to consignees	19.3	7.3	178.1	73.0	40.7	16.9	27.1	12.1	13.8	5.9
Commision for underwriting, secondary distribution	15.9	12.7	28.9	13.5	19.5	12.5	22.7	12.5	18.7	7.9
Fee for offering, secondary distribution	33.3	14.9	169.0	76.6	49.1	19.0	25.1	9.8	46.6	21.7
Other fees received	74.4	33.9	175.0	81.2	111.4	52.0	43.6	23.1	40.0	17.6
Net trading income	86.0	49.4	272.5	173.3	79.4	47.1	8.7	31.5	102.2	50.7
Stocks	(6.2)	(9.3)	-	-	(6.4)	(12.4)	(5.0)	(4.3)	0.3	(0.1)
Bonds, exchanges, etc	92.2	58.7	-	-	85.8	59.5	13.7	35.8	101.9	50.9
Net gain on private equity and other securities	(2.1)	(0.0)	25.0	(5.0)	1.9	5.9	(0.2)	0.4	-	-
Net interest income	12.1	10.6	119.9	66.4	20.0	10.4	39.9	17.0	4.5	3.4
Others	(0.4)	0.0	567.1	291.8	13.7	11.2	-	-	2.5	1.0
Selling, general and administrative expenses	240.1	117.5	1450.9	715.8	359.7	164.7	218.4	97.7	185.1	91.8
Operating income(loss)	(1.5)	11.5	84.9	55.0	(23.7)	10.6	(51.2)	9.0	43.7	16.7
Non-operating income	39.7	18.9	-	-	11.5	6.3	1.4	0.7	0.8	0.6
Ordinary income(loss)	38.1	30.5	84.9	55.0	(12.2)	16.9	(49.7)	9.7	44.5	17.3
Extraordinary income(loss)	(13.6)	1.1	-	-	(4.6)	(0.1)	(27.2)	(2.3)	(1.2)	(4.6)
Net income(loss)	16.5	18.0	11.5	4.7	(39.4)	10.0	(95.6)	8.3	19.4	6.6

(Source) Calculated by MUMSS based on company disclosures

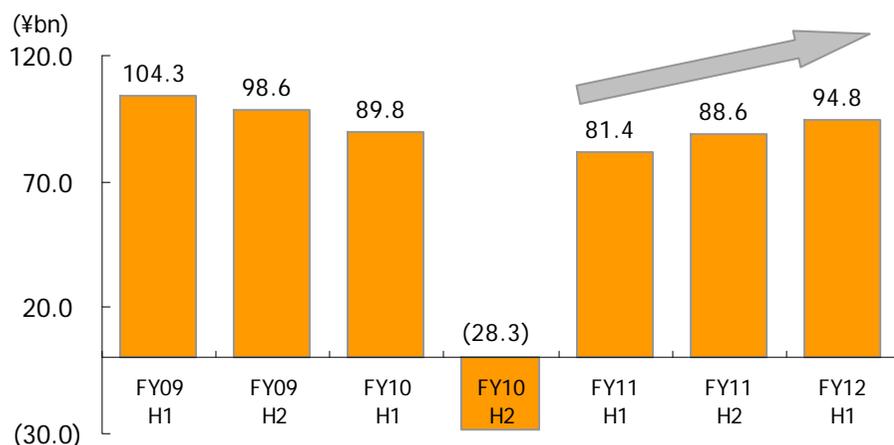
Major subsidiaries' position and strategy

MUMSS: Financial results

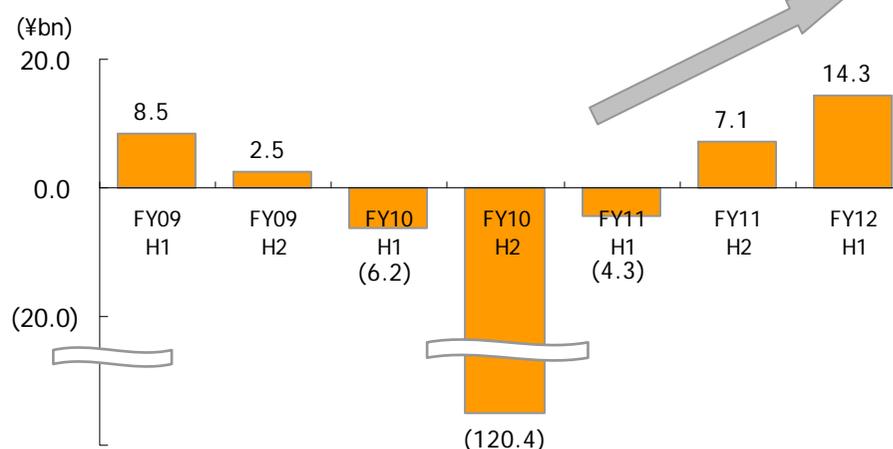


- Ordinary income and net income for FY2012 H1 marked the highest since FY2009
- SG&A expenses reduced by approx. ¥30 bn compared to FY2009 due to various initiatives and strict spending controls

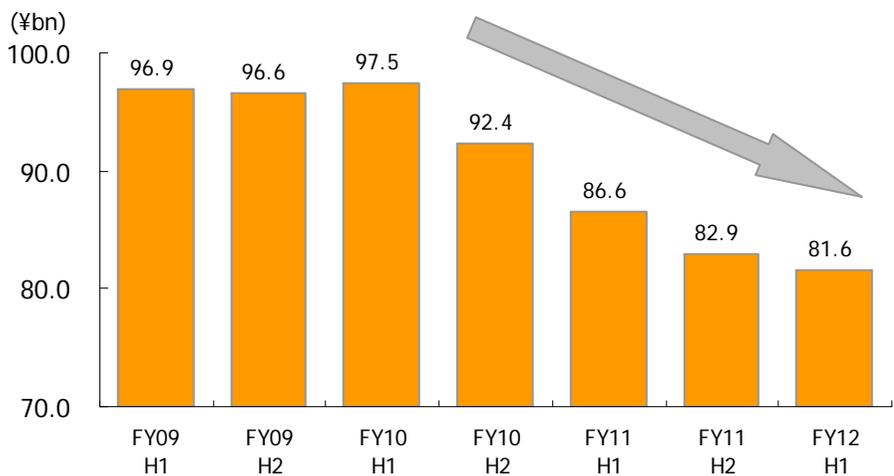
<Net operating revenue>



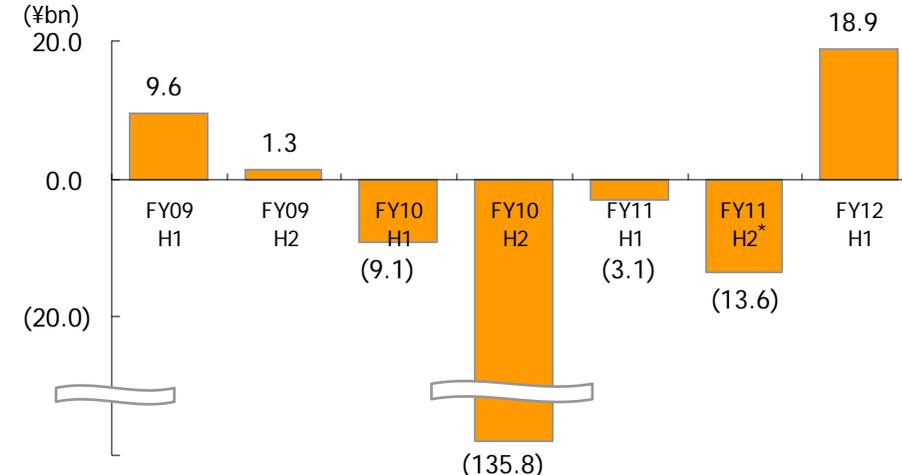
<Ordinary income and loss>



<Selling, general and administrative expenses>



<Net income and loss>

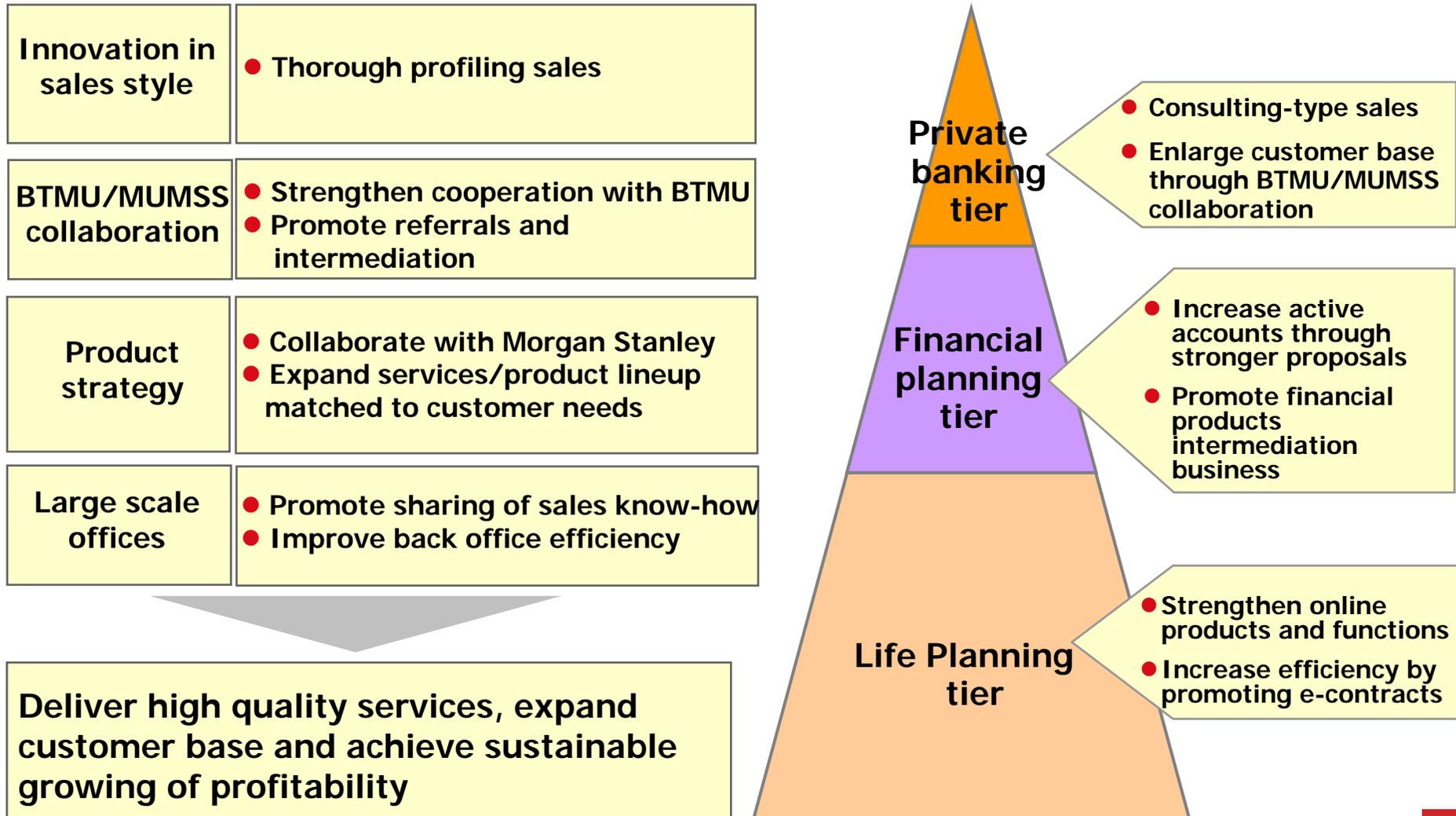


* FY2011 H2: Early retirement program resulted in extraordinary loss

MUMSS: Sales divisions (1) Overall strategy



- Enhance comprehensive strengths and productivity through innovation in sales style, BTMU/MUMSS collaboration, and strengthening product competitiveness through Morgan Stanley collaboration
- Build effective sales structure to match each customer segment



MUMSS: Sales divisions (2) Product strategy

- Meet diverse customer needs by expanding the range of overseas equities and bonds handled
- Increase high value-added products through collaboration with Morgan Stanley and tie-up with KOKUSAI AM

Main products in collaboration with Morgan Stanley

- **Bonds**
 - Morgan Stanley Foreign Currency Denominated Offering Bond
 - Over ¥350.0 bn sold over past 20 months
- **Investment trusts (Product development in collaboration with Morgan Stanley and KOKUSAI AM)**
 - Kokusai Morgan Stanley Global Premium Stock Open JPY Hedged / Not Hedged
 - Short-Term High Yield Corporate Bond Fund 2012-10 USD-denominated USD Hedged Class, JPY-denominated JPY Hedged Class
 - Short-Term High Yield Corporate Bond Fund 2012-10 JPY-denominated JPY Appreciation Hedged and Depreciation Followed Type

Main tie-up products with KOKUSAI AM (2012 H1)

- **Investment trusts**
 - Kokusai Turkish Bond and Equity Fund 2012—09
 - Kokusai Asia Oceania Attractive Dividend Open
 - Kokusai Alternative Strategies QTX-Winton Alpha Investment Open

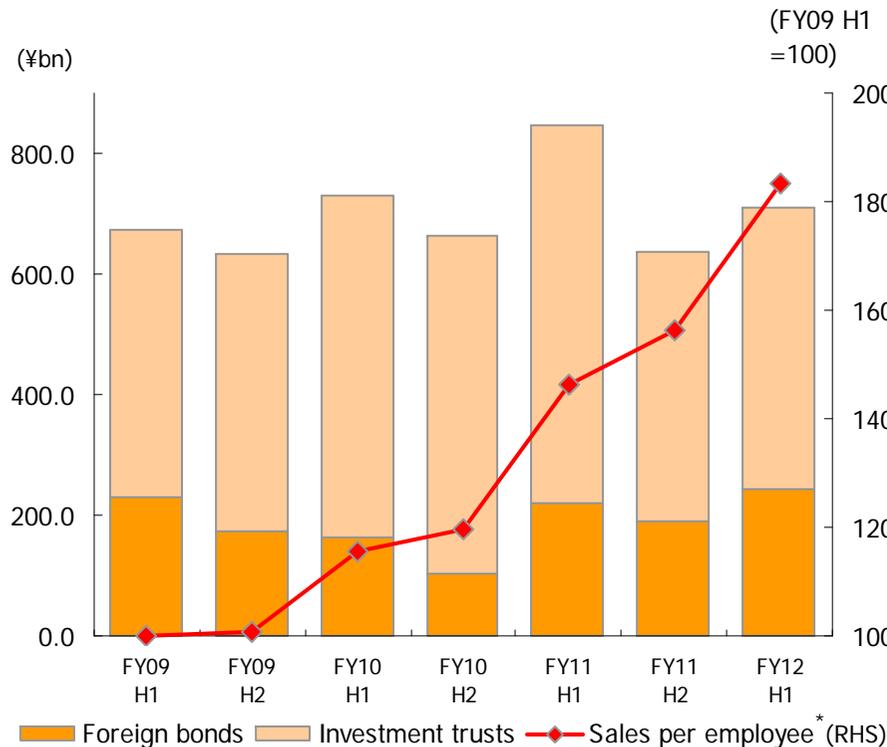
MUMSS: Sales divisions

(3) Results (excluding financial products intermediation)

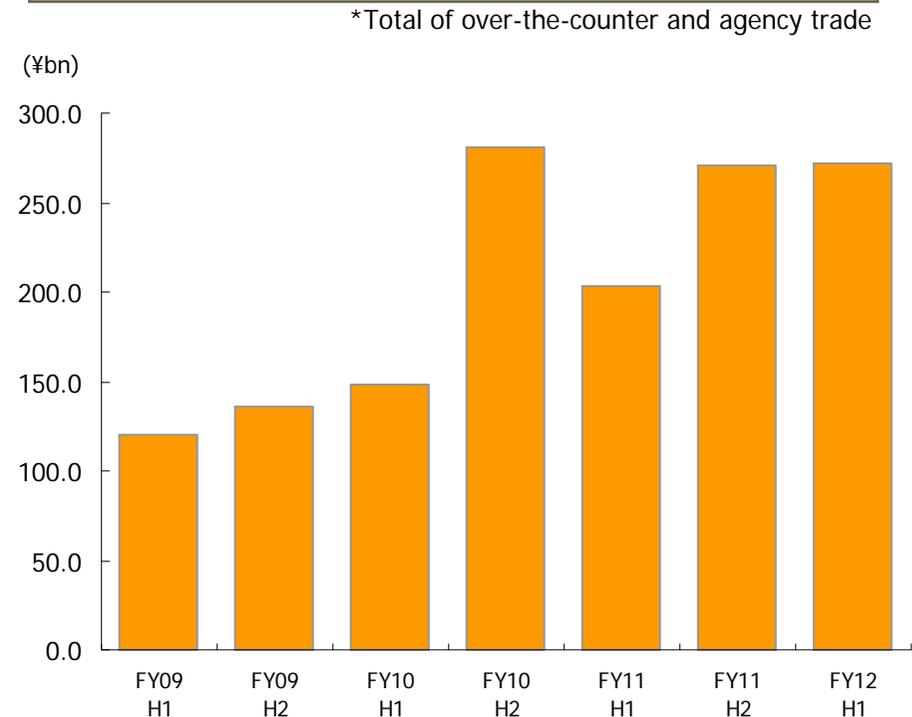


- Although number of sales staff was reduced through an early retirement program, FY2012 H1 products sales were up from FY2011 H2
- Sales per employee have increased since 2009, a steady increase in productivity

Foreign bonds/Investment trusts sales (Retail)



Foreign equities trading volume* (Retail)



* Sales of foreign bonds, investment trusts divided by number of sales staff at period end
FY2009 H1 sales per employee = 100

MUMSS: Sales divisions (4) Financial products intermediation

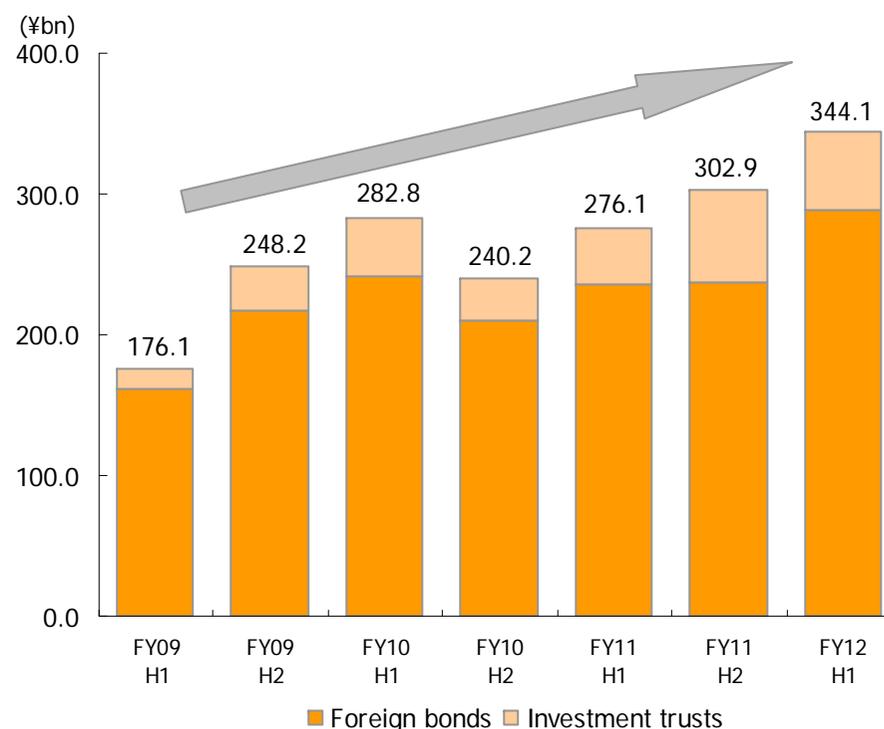
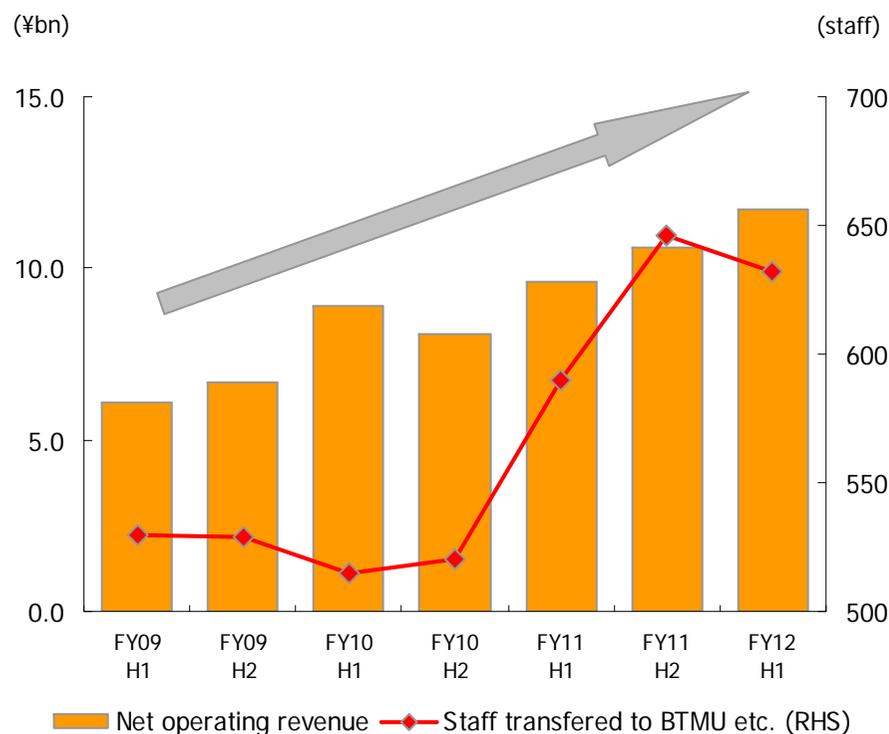
- Financial products intermediation results strong due to major progress in BTMU/MUMSS collaboration
- Expand business through increase in staff transferred to BTMU etc.

Net operating revenue of financial products intermediation

- Revenue growth through deepening transactions
 - Revenue has doubled since FY2009 H1 due to development in BTMU/MUMSS collaboration

Sales of financial products intermediation

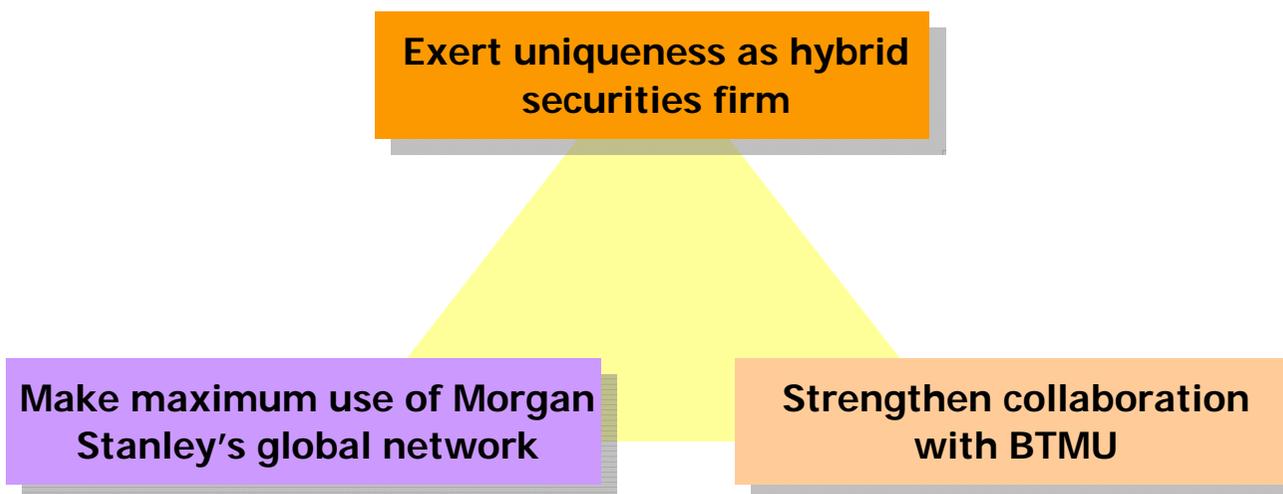
- Sales of foreign bonds and investment trusts are on an increasing trend



MUMSS: Investment banking business unit

(1) Strategy and vision

- Use our unique competitive edge as a bank-owned/foreign-owned hybrid securities firm to deliver added value and service that competitors can't match
- Increase our presence as an arm of MUFG and Morgan Stanley's investment banking business in Japan



The mission of investment banking business unit

We will put quality foremost and quickly and precisely respond to customers' needs while continuously providing globally-recognized, high quality investment banking advice and solutions. Through this, we will contribute to the growth and competitiveness of Japanese business by deeply participating in planning and execution of business and capital strategy as a trusted partner of Japan's top business management

MUMSS: Investment banking business unit (2) League tables



- Maintaining top share in bond underwriting
- Moved up from fifth to third in equity underwritings due to winning lead manager mandate for large scale IPOs
- Leapt into third place in M&A deals (announced base)

Rank	Japan Domestic Debt ^{*1}	Japan Equity and Equity-linked ^{*2}	M&A Advisory (announced base) ^{*3}
	Apr-Dec 2012		
1	MUMSS ¥2,232.2 bn 23.1%	Nomura ¥395.3 bn 23.9%	Mizuho Financial Group ¥4,765.3 bn 41.2%
2	Mizuho Securities ¥2,075.1 bn 21.5%	Daiwa Securities Group ¥324.0 bn 19.6%	Nomura ¥4,235.8 bn 36.6%
3	Nomura Securities ¥1,532.0 bn 15.9%	MUMSS ¥217.2 bn 13.1%	MUMSS ¥3,657.3 bn 31.6%
4	Daiwa Securities ¥1,422.9 bn 14.7%	Mizuho Financial Group ¥209.7 bn 12.7%	JP Morgan ¥2,437.7 bn 21.1%
5	SMBC Nikko Securities ¥1,040.9 bn 10.8%	Sumitomo Mitsui Financial Group ¥188.1 bn 11.4%	Goldman Sachs & Co ¥2,270.5 bn 19.6%
Apr 2011 - Mar 2012			
1	MUMSS ¥2,788.3 bn 22.6%	Nomura ¥278.5 bn 22.7%	Nomura ¥4,989.4 bn 34.5%
2	Nomura Securities ¥2,355.9 bn 19.1%	Daiwa Securities Group ¥276.3 bn 22.5%	Goldman Sachs & Co ¥4,281.9 bn 29.6%
3	Mizuho Securities ¥2,254.5 bn 18.3%	Sumitomo Mitsui Financial Group ¥240.6 bn 19.6%	Mizuho Financial Group ¥3,575.9 bn 24.8%
4	SMBC Nikko Securities ¥1,827.5 bn 14.8%	Mizuho Financial Group ¥157.5 bn 12.8%	Deutsche Bank AG ¥3,517.9 bn 24.4%
5	Daiwa Securities Capital Markets ¥1,643.5 bn 13.3%	MUMSS ¥126.0 bn 10.3%	Bank of America Merrill Lynch ¥3,327.4 bn 23.0%
			7: MUMSS ¥2,896.1 bn 20.0%

(Source) Thomson Reuters (data compiled by MUMSS)

*1 Includes Japanese Straight Bonds, Ex-FILP Agency Bonds (incl. Expressway company's bonds) and Municipal Bonds Related. Based on lead manager's credit

*2 Mitsubishi UFJ Morgan Stanley includes domestic offerings of Japanese issuers underwritten by Morgan Stanley MUFG Securities as well as global offerings of Japanese issuers underwritten by Morgan Stanley. Based on underwriting amount

*3 Any Japanese involvement announced including property acquisitions. Mitsubishi UFJ Morgan Stanley includes deals advised by Morgan Stanley

MUMSS: Investment banking business unit

(3) Morgan Stanley collaboration



- Successfully won several large mandates through collaboration with Morgan Stanley
- In cross-border M&A deals No.1 in FY2012 H1 league tables. Due to large deal by other companies in FY2012 Q3*, ranked No.6 as of Dec 2012

* SOFTBANK's acquisition of Sprint Nextel : ¥1,584.6 bn
(Source) Thomson Reuters

Main results of collaboration with Morgan Stanley

Equity

- **JAL IPO – Domestic and overseas bookrunner**
 - Deal value: approximately ¥660 bn
 - World's largest airline IPO in history
 - Japan's largest privatization IPO since book building method was introduced in Sep 1997
 - MUMSS and MSMS(MS) jointly involved in bookrunning both the domestic and overseas tranches
 - Financial products intermediation sales through collaboration with BTMU

M&A

- **Advised DENTSU in the acquisition of Aegis Group**
 - Deal Value: approximately ¥395.5 bn
 - Fully utilized Morgan Stanley's global expertise

<Cross border deals>

(Apr-Dec 2012)

Rank	FA	#	Amount (¥bn)	Share (%)
1	Mizuho FG	27	2,628.5	37.7
2	Deutsche Bank AG	10	2,060.0	29.5
3	Nomura	25	1,969.8	28.2
4	Rothschild	9	1,963.4	28.1
5	Citi	5	1,827.3	26.2
6	MUMSS	22	1,697.9	24.3
:				
16	Sumitomo Mitsui Financial Group	8	395.0	5.7
17	Daiwa Securities Group	11	338.9	4.9

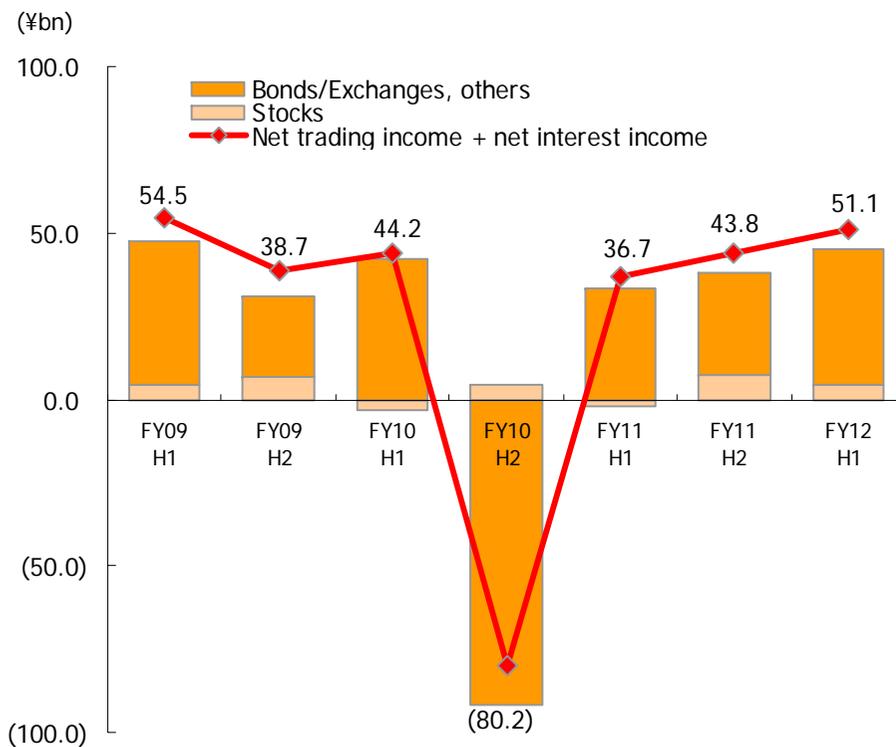
(Source) Thomson Reuters (data compiled by MUMSS)

MUMSS: Global market business unit (1) Results



- After losses in FY2010 H2, returned to business model based on customer business
- Trading business based on customer flow operates as core business
- Incorporation of external advice, risk governance radically reconsidered and risk management framework strengthened

Trading income and loss



Market presence

- Ranked overall No. 1 in JGB auctions
 - Ranked No.1 for three consecutive periods (FY2011 H1, H2, FY2012 H1)

<JGB auction results>

(Apr–Sep 2012)

Rank	Financial institution
1	MUMSS
2	Nomura Securities
3	Mizuho Securities
4	Deutshce Securities
5	BTMU
6	Daiwa Securities

(Source) Ministry of Finance press release

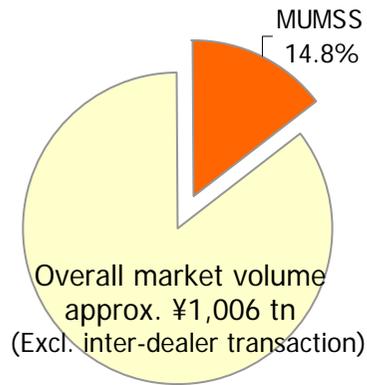
MUMSS: Global market business unit (2) Transactions share



- Market presence growing steadily due to further focus on customer flow business

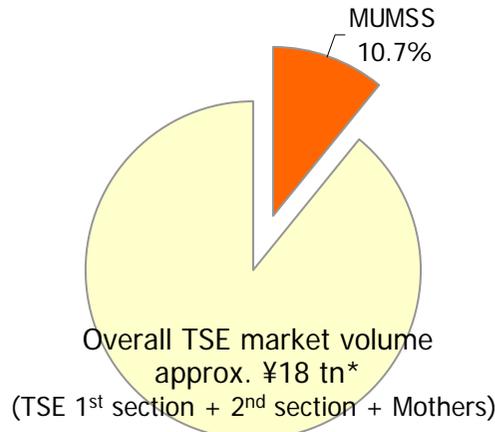
Transactions share (FY2012 H1)

Public and Corporate Bonds



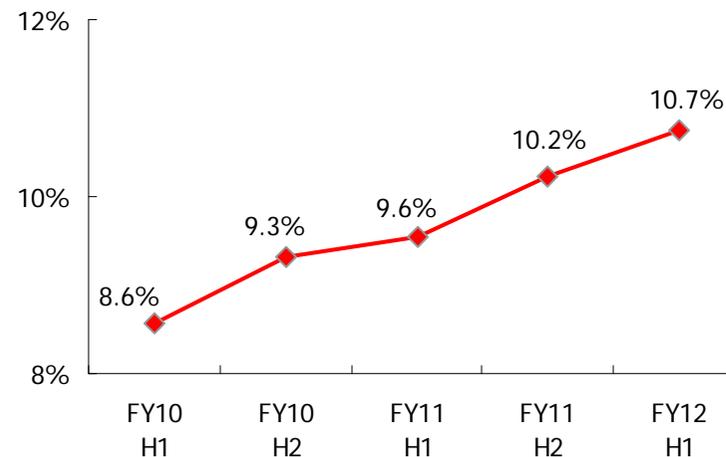
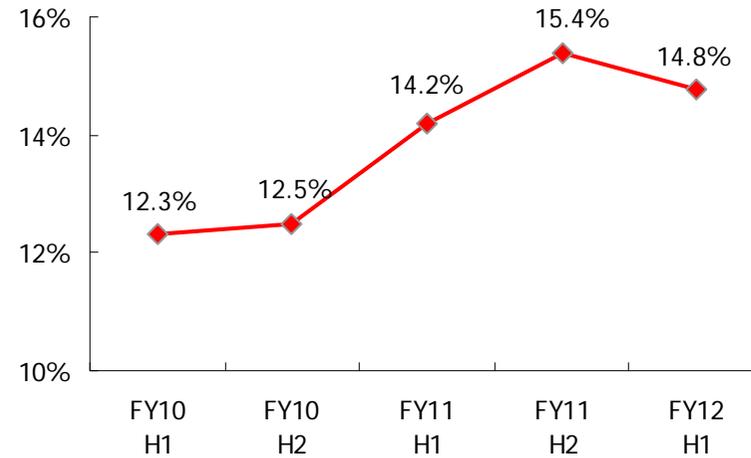
(Source) Created by MUMSS based on data from JSDA

Equities (with domestic institutions*)



* Life and non-life, city & regional banks, trust banks and investment trusts on TSE definition
(Source) Created by MUMSS based on data from TSE

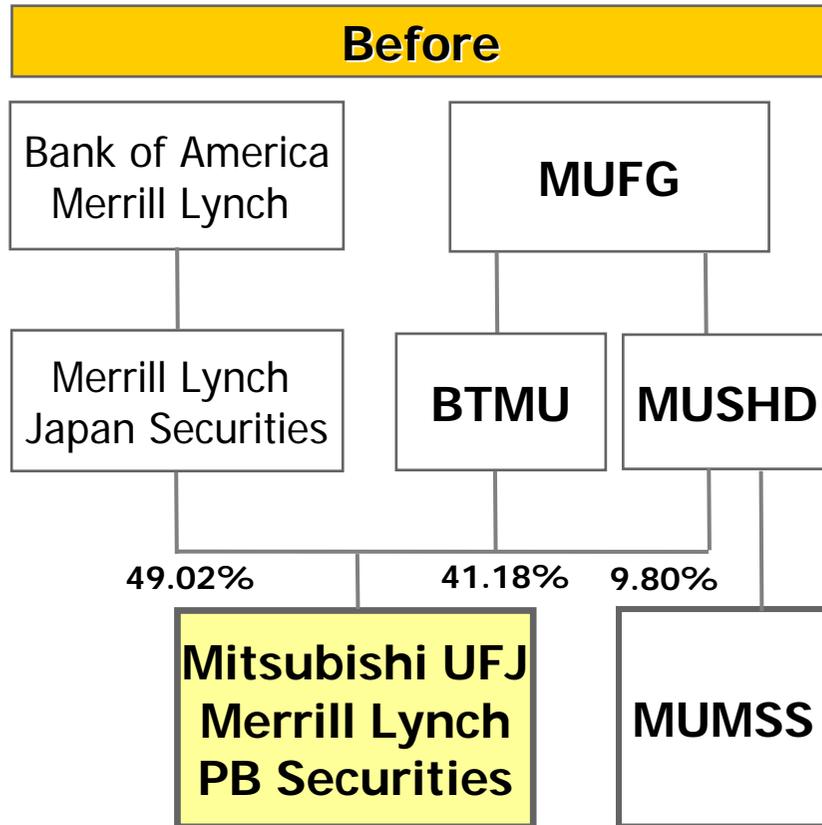
Change in share



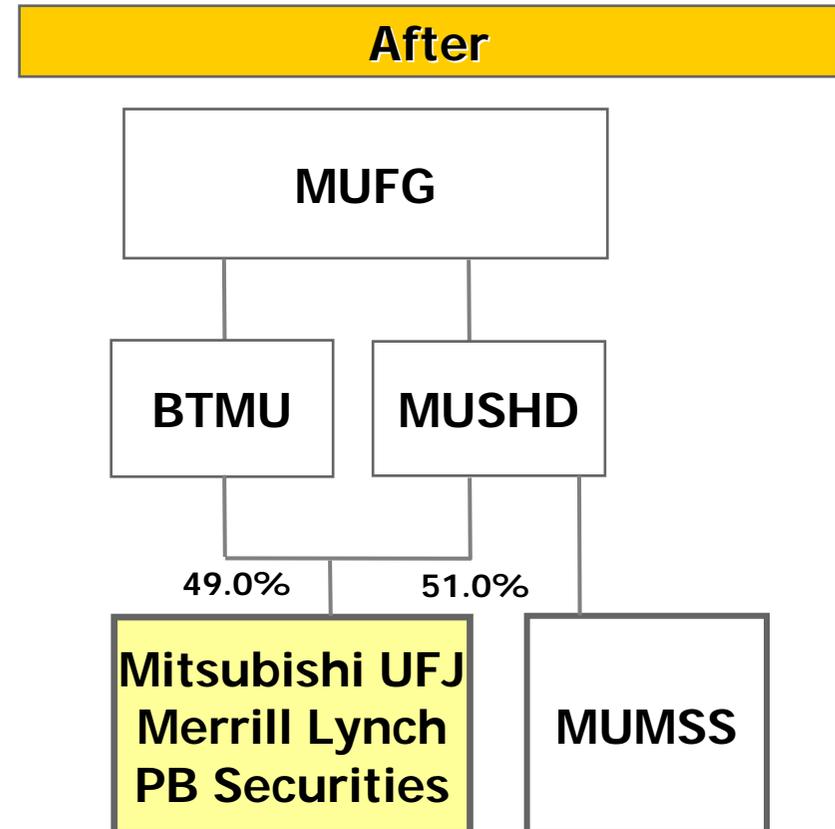
Private banking strategy



- In Dec 2012 Mitsubishi UFJ Merrill Lynch PB Securities was made a 100% subsidiary of MUFG
- Further strengthen Private banking services to MUFG's high net worth customer base



(FY2011 results)
 Value of deposited assets : ¥1.8 tn
 Net operating revenue : ¥25.0 bn
 Ordinary income : ¥11.8 bn

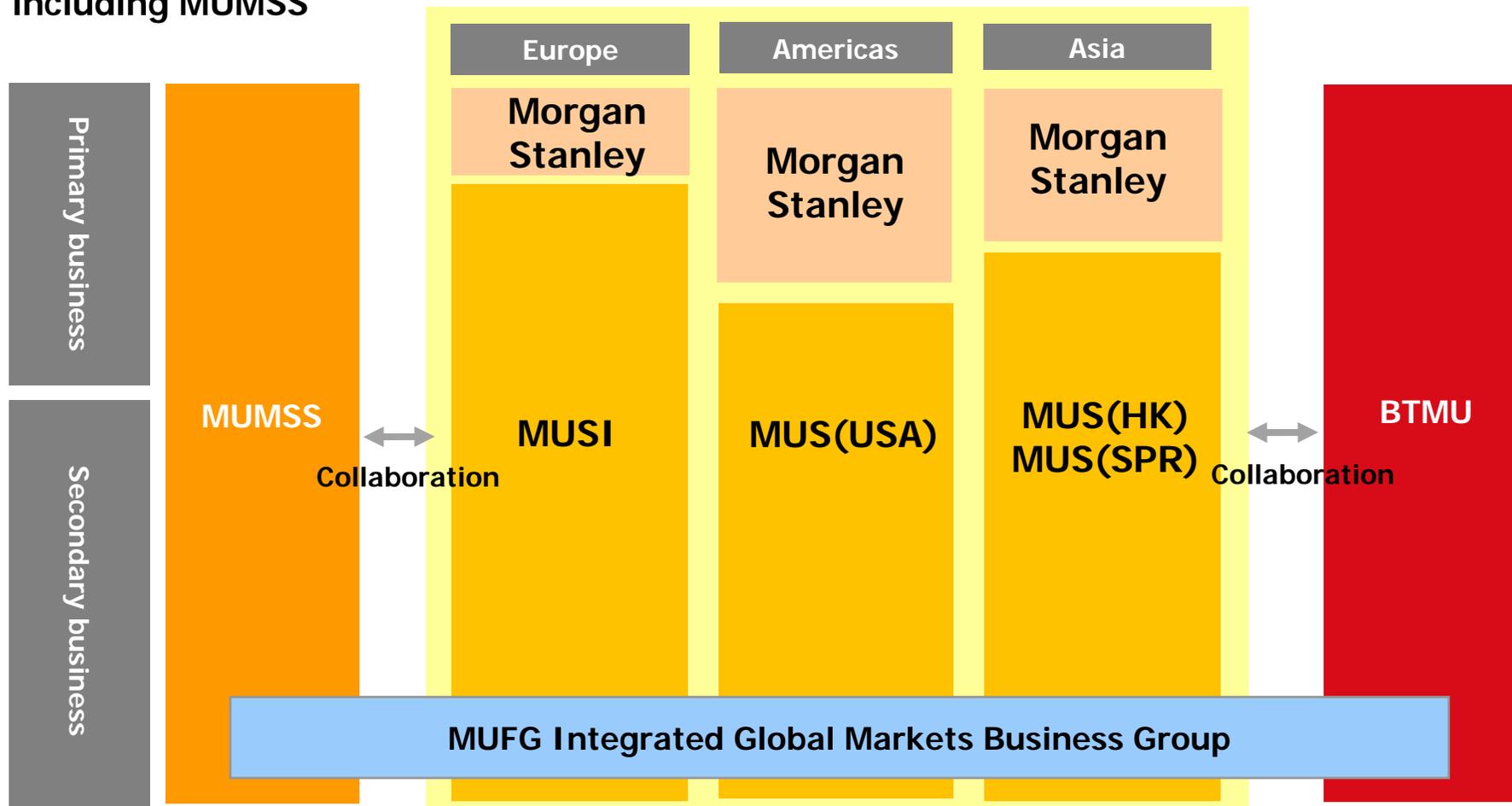


- Maintain business partnership with Bank of America Merrill Lynch for the time being
- Focus on further collaboration with BTMU. Consider collaboration with MUMSS/Morgan Stanley too

Global strategy: Main strategy, BTMU/MUSHD collaboration



- Expand BTMU/MUSHD collaboration and cross-selling based on the framework of MUFG Integrated Global Business Group and Integrated Global Markets Business Group
- In primary markets business collaborate with Morgan Stanley and capture BTMU's overseas customers' direct financing needs
- In secondary markets business accelerate the unification of global markets business, including MUMSS



Global strategy: Overseas subsidiaries' performance



- Despite the deteriorating environment from the European financial crisis etc., posted comparatively solid results, based on BTMU/MUSHD collaboration business
- Returned to profits in FY2011 H2, also increased profits in FY2012 H1

● MUSI

- DCM, key to BTMU/MUSHD collaboration, was strong
- Customer derivative transactions also growing

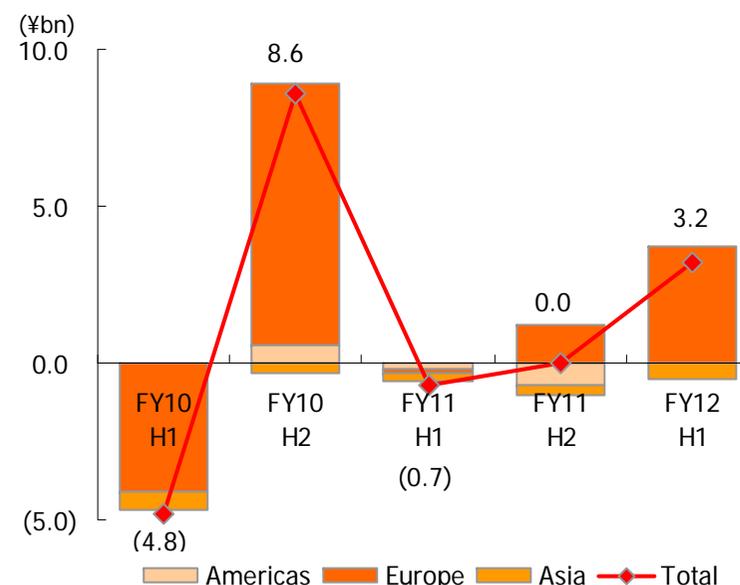
● MUS (USA)

- Increase in deals as lead manager in underwriting business through driving collaboration with BTMU and UB

● MUS (HK), MUS(SPR)

- Develop DCM and secondary business as a spoke of MUSI, MUMSS. Achieve stable profits through strengthening collaboration with BTMU

Ordinary income and loss



(Note) Accounting period for overseas subsidiaries differ by three months from MUFG consolidated base. H1: Jan 1-Jun 30, H2: Jul 1-Dec 31

<Reference> Income and loss in overseas

	Income and loss in overseas (¥bn)				
	FY10 H1	FY10 H2	FY11 H1	FY11 H2	FY12 H1
Nomura Holdings*	(42.7)	(12.7)	(85.1)	(43.9)	(41.6)
Daiwa Securities Group	(6.6)	(14.8)	(15.2)	(10.5)	(7.0)

* Income (loss) before income taxes

(Source) Company disclosures

Global strategy: League tables



- Firmly maintain top share among Japanese firms due to progress in BTMU/MUSHD collaboration

Corporate bonds* bookrunner

* Investment Grade

<Europe>

Rank	Bookrunner	Amount (EUR MM)	Share (%)
1	BNP Paribas SA	14,591	7.9
2	Societe Generale	12,677	6.9
3	Deutsche Bank	11,599	6.5
4	HSBC Holdings PLC	10,290	5.5
5	Credit Agricole CIB	9,865	5.5
6	Barclays	9,217	4.9
7	UniCredit	8,939	4.9
8	RBS	8,362	4.7
9	JP Morgan	7,885	4.3
10	Citi	6,532	3.7
15	MUSI	3,877	2.2
27	Mizuho Financial Group	1,599	0.9
49	Nomura	114	0.0

(Source) Thomson Reuters

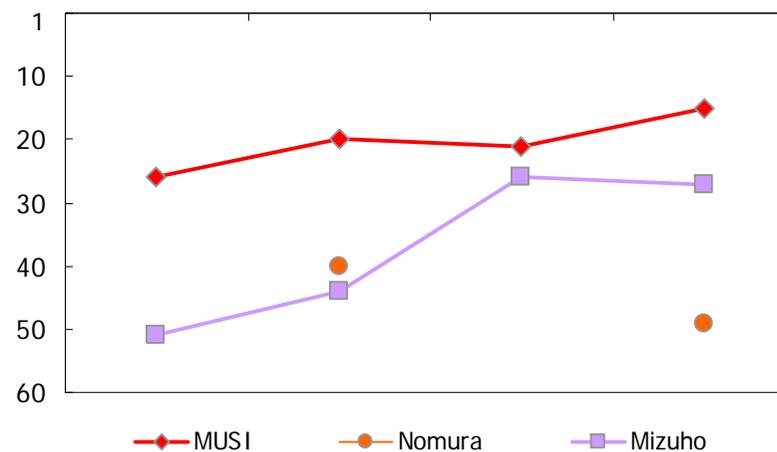
<Americas>

Rank	Bookrunner	Amount (USD MM)	Share (%)
1	JP Morgan	117,503	11.7
2	Bank of America Merrill Lynch	88,030	8.8
3	Citi	81,776	8.2
4	Morgan Stanley	64,810	6.5
5	Goldman Sachs & Co	57,539	5.7
6	Barclays	53,583	5.4
7	Deutsche Bank	40,284	4.0
8	Wells Fargo & Co	33,328	3.3
9	HSBC Holdings PLC	31,560	3.2
10	RBS	27,616	2.8
15	MUS(USA)	9,768	1.0
17	Mizuho Financial Group	7,502	0.7
33	Nomura	1,518	0.2
37	Sumitomo Mitsui Finl Grp Inc	1,362	0.1

(Source) Thomson Reuters

Changes in ranking

(Rank) 2009 2010 2011 2012



(Rank) 2009 2010 2011 2012

