

MUFG Climate Change Initiatives

May, 2023

Mitsubishi UFJ Financial Group, Inc.



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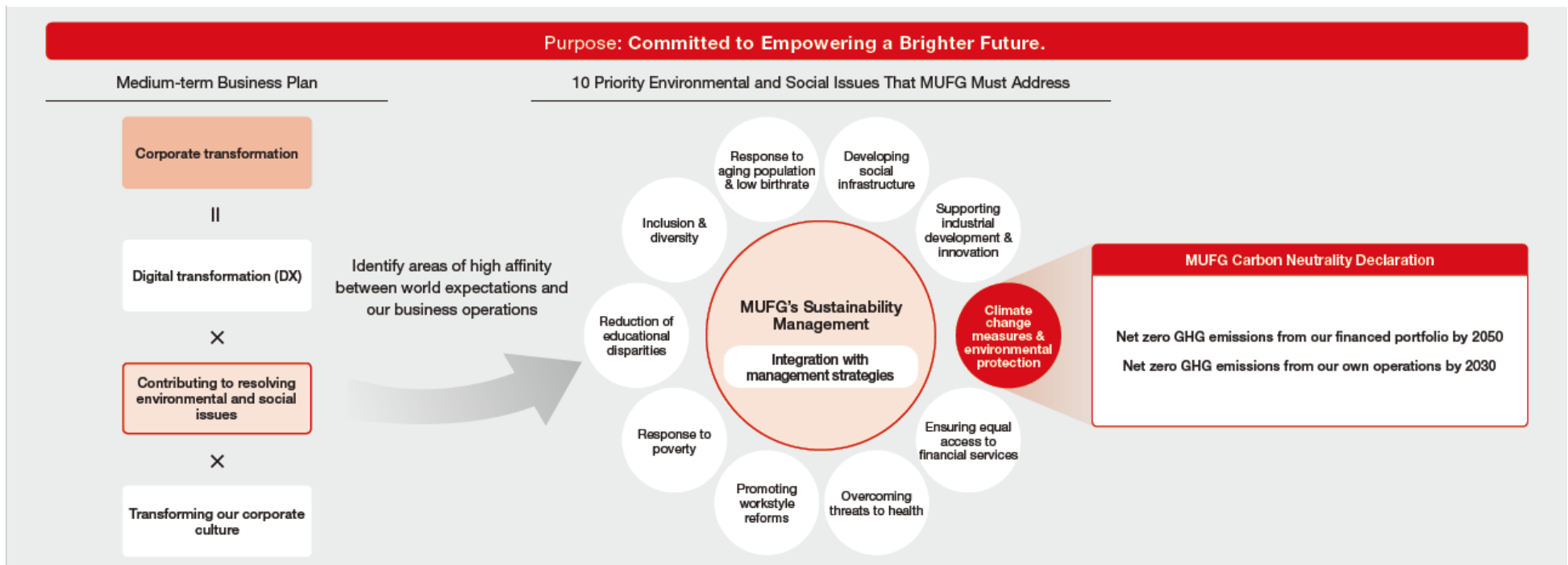
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I MUFG initiatives for sustainability

MUFG's Sustainability Management

- MUFG has placed sustainability management as one of the most important initiatives for this medium-term business plan, and implementing group-wide measures especially after launching the Carbon Neutrality Declaration in 2021 to respond to the climate change.
- CSO*¹ has the role to plan the business strategy for the entire group and ensure it synergizes with each sustainability initiative. CSuO*² deals with broad issues related to sustainability, and both lead MUFG's Sustainability Management.



CSO and CSuO will lead the discussion for Sustainability Management which will remain as a key strategy in the next MTBP

*1: Chief Strategy Officer *2: Chief Sustainability Officer

MUFG approach for the climate change

- To contribute to Carbon Neutrality, not only net zero GHG emissions of our own operations but also decarbonization of our clients are necessary
- To achieve the target of net zero GHG emissions by 2050, or 1.5°C target, which is our biggest goal, it is important for us to move toward decarbonization together with our clients by supporting the transition and contributing to a virtuous cycle between the environment and the economy

**Target net zero GHG emissions from Financed Portfolios by 2050
to reach 1.5°C goal as agreed in the Paris Agreement**

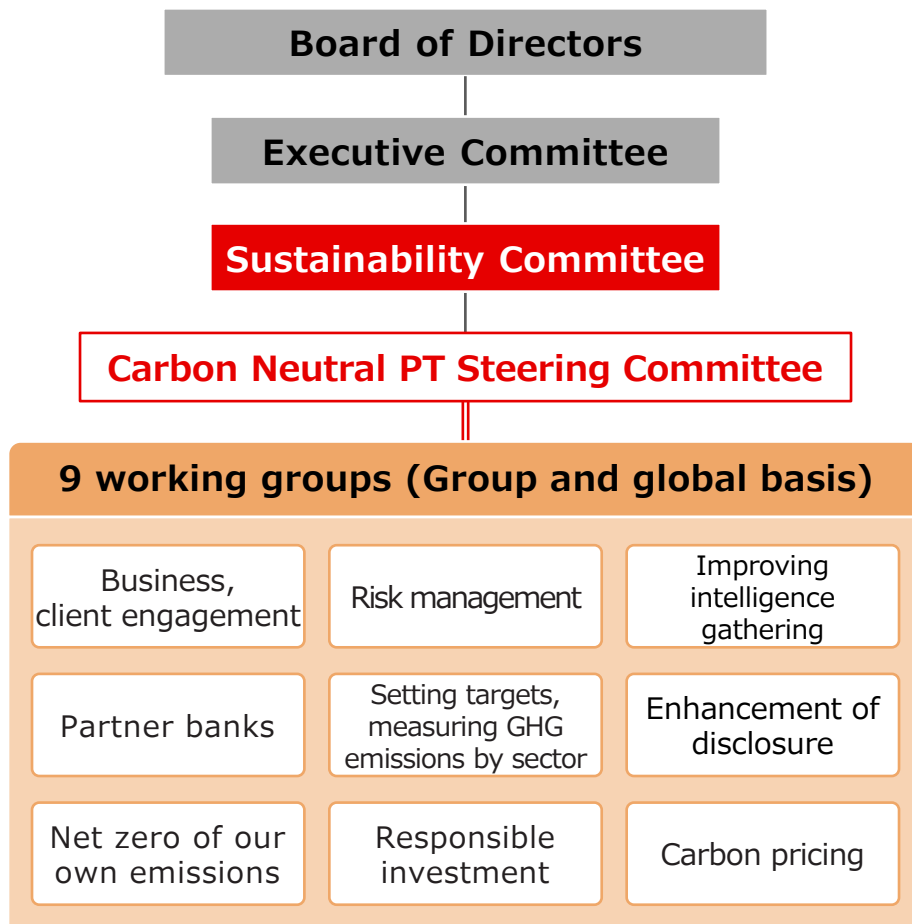
**Support smooth transition to
decarbonized society**

**Contribute to a virtuous cycle between the
environment and economy**

**Understand the characteristics of each region and sector,
share the issues through client engagement,
and move toward decarbonization together**

Management commitment

- CEO commits to progress addressing climate change as the most important issues of management
- Established a group and global based project team 2 years ago. Discuss strategies and policies and making decisions promptly through Steering Committees and review meetings involving CEO and other key management members
- Board of Directors supervise these meetings

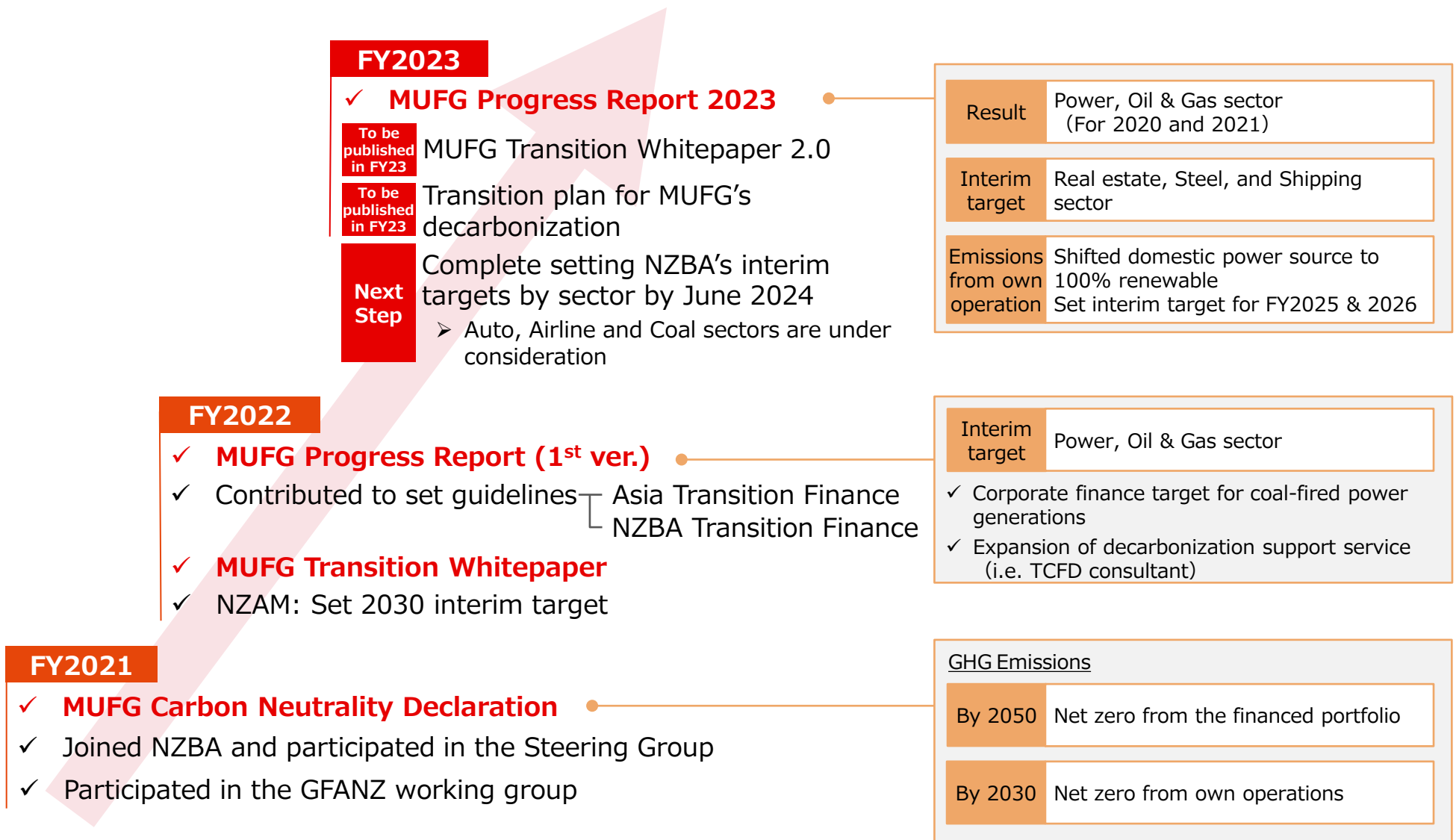


Meeting History

Meeting	Attendee	# of mtgs (in past 2 years)
Sustainability Committee	<ul style="list-style-type: none"> • CEO • Gr. Subsidiaries CEOs • C-Suite • Group Heads etc. 	2
Steering Committee	<ul style="list-style-type: none"> • CEO • Gr. Subsidiaries CEOs • C-Suite • Group Heads etc. 	5
Executive review meeting	<ul style="list-style-type: none"> • CEO • Gr. Subsidiaries CEOs • C-Suite • Group Heads • External advisers etc. 	16

Progress since the Carbon Neutrality Declaration

- Made major progress in initiatives to achieve net-zero emissions over the past 2 years
- Continue efforts in FY2023 without slowing down



Further initiatives

- In addition to policy recommendations and client engagement based on Transition Whitepaper 2.0, actively being involved in international rulemaking and disseminate opinions through participation in GFANZ Japan, etc.
- Complete the NZBA interim target setting and release the Transition plan for MUFG's decarbonization in line with GFANZ guidance

Policy recommendation・Client engagement

**Formulation/Publication of
the Transition Whitepaper 2.0**

Involvement in international rulemaking・ opinion dissemination

**Participation/Contribution to
GFANZ Japan**

Interim target setting by sectors

Complete the NZBA interim target setting

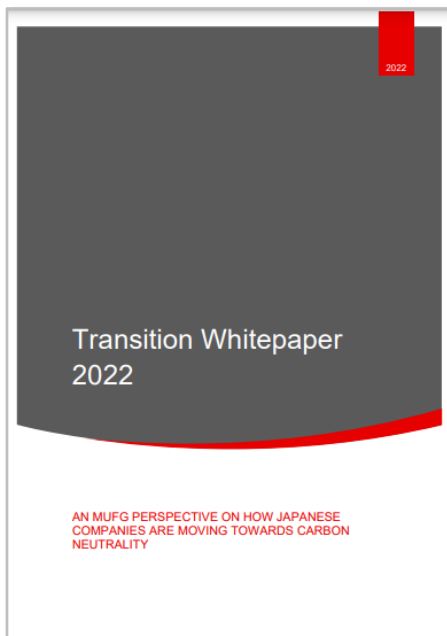
Transition Plan

**Release the Transition plan for
MUFG's decarbonization
in line with GFANZ guidance**

*June 2024 is deadline, which is 36 months after MUFG joining NZBA

MUFG Transition Whitepaper 1.0 initiatives

- Published the MUFG Transition Whitepaper in Oct 2022. Disseminated the importance of regional characteristics, Inter-industry relations, and efforts to maximize the introduction of renewable energy to achieve Carbon Neutrality in Japan



2022



Key Takeaways

1 Regional characteristics

- Different starting point and direction for Carbon Neutrality depends on the region characteristics
- Regional analysis based on sources of emissions, connectivity, energy security and social/political factors

2 Inter-industry relations(Interdependency)

- Individual approach by sector may not be effective for Carbon Neutrality
- Identify effective levers considering interdependency which industries have closely, horizontally and vertically
- In Japan, Carbon Neutrality of power and heat is an important lever

3 Japanese Managed Phase Out with maximizing renewable power introduction

- Targeting early shut down of inefficient plants, co-combustion for high-efficient thermal plants in the short-term, and mono-combustion in the mid-to-long term
- While maximizing the use of domestic renewable energy, use imported green hydrogen and ammonia derived from overseas renewable power in various industries

MUFG Transition Whitepaper 2.0 initiatives

- The Whitepaper 2.0 will be published in Oct 2023 and will list the technologies and supply chains that are important in promoting carbon neutrality in Japan's power and heat, leading to measures to increase investment opportunities for Japan's efforts.

- The Whitepaper 2.0 is being developed in collaboration with partner companies and government authorities.
The Whitepaper 2.0 is expected to be published in Oct 2023
- Based on policy analyses in Europe, the US, China, and ASEAN, the Whitepaper 2.0 will present **the list of technologies and supply chains that will play important levers in promoting Carbon Neutrality in Japan's power and heat industries**, and also present the need to extend financial support for these broadly. Compiled with commentary on the probabilities of various technologies and the background and intent of the introduction
- Summarize the Japanese government and Japan's leading companies initiatives **and improve the predictability of investment opportunities in Japan in terms of global finance** by disseminating them in the Whitepaper 2.0. Among the technologies outlined in the Japan's basic policy for realizing GX, **six technologies related to Carbon Neutrality in power and heat will be highlighted**

Technology elements regarding carbon neutrality of "power and heat" mentioned in the Basic Policy for Realization of GX

1



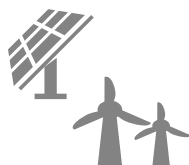
Next-generation fuel

2



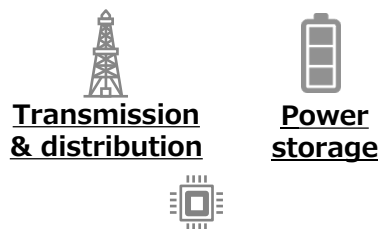
CCUS

3



Renewable energies
Solar & offshore wind

4



Transmission & distribution

Power storage

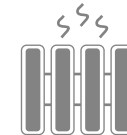
Attract demand
Semiconductors & data centers

5



Nuclear

6



Heat pumps

MUFG BoD's opinion on the shareholder proposal

– MUFG BoD has resolved to oppose to the shareholder proposal.

1. MUFG has made steady progress toward net zero GHG emissions from our financed portfolio by 2050

2. MUFG will disclose our transition plan in FY2023. We have also disclosed progress towards targets in our Progress Report, and plan to continue to do so in our Integrated Report and other media

3. In Japan, articles of incorporation provide for the basic matters of the organization and operation of the company, and it is not appropriate for the articles of incorporation to provide for specific matters concerning the execution of business

(Reference) P.26 for the full text of the shareholder proposal

P.27 for the full text of BoD's opinion on the shareholder proposal)

II MUFG Opinions on the shareholder proposal

Key points of the shareholder proposal

- We note four key points from the shareholder proposal, ① concepts to set GHG emissions target, ② policies and targets of investment and lending, ③ direction to support new technologies, ④ approach of engagement

Key points of argument

(including the investor briefing released by the shareholder proposer on April 10, 2023)

① Concepts to set GHG emissions target	<ul style="list-style-type: none">• Lack of portfolio-wide short- and mid-term targets, and lack of short-term target by sectors• Consider GHG emissions from all value chains from Scope 3 (e.g. midstream and downstream business of oil and gas)• Set absolute emissions target for power sector interim target
② Policies and targets of investment and lending	<ul style="list-style-type: none">• Set strategic investment and lending policies and targets for coal-fired power generation (credit for companies expanding coal power), coal mining (credit for related infrastructure and companies expanding thermal coal mining and metallurgical coal mines), and oil & gas (credit for new and expansionary oil and gas projects or companies)
③ Direction to support new technologies	<ul style="list-style-type: none">• Do not prolong coal power use by supporting to unreliable technologies such as ammonia/hydrogen co-combustion and CCUS• Unproven technologies are not only financially risk but also questionable in reducing GHG emissions and would potentially lock-in ongoing usage of fossil fuels• Disclose the reliance on these technologies in the financed emissions trajectories
④ Client engagement initiatives	<ul style="list-style-type: none">• Disclose the evaluation of clients' alignment with climate goals (clear expectations with specific measures for clients' transition plans such as timelines, pathways, metrics, and targets)• Disclose explicit conditions and processes for withdrawing financial support from clients that are lagging behind the transition

① Approach for target setting - 1

- MUFG believes that an accurate understanding of regional and business characteristics and a shared timeline for resolving client challenges will lead to effective client engagement. Therefore, we have set interim targets for each sector in the time frame of 2030, which is the target set by many client

① Portfolio-wide /sector-level target setting

- Portfolio-wide target setting is not conducive to effective client engagement due to lack of disclosure information and overlapping GHG emission scopes
- MUFG's approach emphasizes establishing sector-level targets and advancing engagement based on an accurate understanding of regional characteristics and sector-specific approaches. Portfolio-wide target setting is not mandatory in the NZBA guidance*¹ and many financial institutions set sector-level targets.

Guidelines for Climate Target Setting for Banks

- **Sector-level targets shall be set for all, or a substantial majority of, the carbon-intensive sectors, where data and methodologies allow.**

NZBA Intermediate Target Disclosure Checklist

- **Targets shall include sector-specific and/or portfolio-wide targets** for 2030 or sooner

② Short term target

- Many clients have set targets for 2030, and MUFG is not currently considering setting short-term targets given effective engagement is possible by these targets that time frame is shared with clients and us. Note that interim targets prior to 2030 are not mandatory in NZBA guidance either

Guidelines for Climate Target Setting for Banks

- **Intermediate targets shall include a target for 2030 or sooner.**

NZBA Intermediate Target Disclosure Checklist

- Targets shall include sector-specific and/or portfolio-wide targets for **2030 or sooner**

*1 Guidelines for Climate Target Setting for Banks, NZBA Intermediate Target Disclosure Checklist

① Approach for target setting - 2

- Oil and gas sector targets cover clients whose main business is upstream. The targets include GHG emissions not only at the time of drilling, but also for the final consumption, which has the highest emissions
- Power sector target is based on "emission intensity," which indicates the efficiency of GHG emissions, as it is necessary to simultaneously promote clean energy while responding to increasing demand for power

③ Oil & Gas sector: Interim target value chain (midstream / downstream)

- The targets cover all Scope1-3 of client whose main business is upstream, hence all emissions, not only from mining but also to final consumption, are included
- In addition, many of the clients whose main business is upstream are integrated operators who own the value chain covering upstream (mining), midstream (refining and logistics) and downstream (gas stations and final consumption), and GHG emissions from these clients' midstream and downstream businesses are covered in the targets (significant midstream and downstream emissions are not excluded).

④ Power sector: Interim target indicator

- Although it makes sense to target absolute emissions in the future, MUFG believes it is appropriate to target "emissions intensity," which indicates the efficiency of GHG emissions, because it is necessary to simultaneously promote clean energy use while responding to the increasing demand for power until at least 2030. The NZBA guidance also considers the target setting based on emission intensity as an option

Guidelines for Climate Target Setting for Banks

- Targets shall be set based on:
- Absolute emissions; and/or
- **Sector-specific emissions intensity (e.g. CO₂e/metric)**

② Financing policy / target - 1

- Formulated the MUFG Environmental and Social Policy Framework as our financing policy. Fossil fuel sector policies have been reviewed and strengthened annually
- Strictly manage the credit balance for coal-fired power generations with targeting zero in FY 2040

Financing Policy (MUFG Environmental and Social Policy Framework)

Sector	2018	2019	2020	2021	2022	Summary
Coal-fired power	Formulated	Revised		Revised		<ul style="list-style-type: none"> • Prohibit financing of new construction and expansion of existing generation facilities • Coal-fired power plants with CCUS, co-combustion and other technologies considered separately
Mining (coal)		Formulated			Revised	<ul style="list-style-type: none"> • Prohibit financing of new thermal coal mining projects for power generation • Prohibit financing of coal mining projects conducted by mountaintop removal (MTR) method
Oil & Gas			Formulated		Revised	<ul style="list-style-type: none"> • Confirm the implementation status of environmental and social responsible manner by customers for Oil Sands, the Arctic Development, shale oil & gas, and pipelines

Credit balance targets

	2019	2020	2021	2022	2023	2024	...	2030 Target	...	2040	2050
Credit balance for coal-fired power generation (FY)											
Project Finance (US\$bn)	3.58	3.77	2.96					50% reduction from FY2019		Zero	
Corporate Finance (¥bn)		120	90							Zero	

② Financing policy / target - 2

– MUFG has been taking measures to the tightening of financing policies in the fossil fuel sector in light of regional characteristics and the energy situation, and will continue the review

MUFG's response to shareholder proposer claims

Coal-fired power generation



<Claim> Prohibition on financing expanding companies

- Both project finance and corporate finance are prohibited for new coal fired power generation projects or expansion of existing facilities
*Financing for coal-fired power plants with CCUS, co-combustion and other technologies may be considered on an individual basis
- Corporate finance is considered based on the use of funds and does not plan to prohibit financing on general working capital, including salaries, etc.

Coal mining



<Claim> Prohibition on financing companies and related infrastructure who expand thermal coal mining and metallurgical coal mines

- Both project finance and corporate finance are prohibited for new thermal coal mining projects for power generation
*Metallurgical coal is essential for steel production and we are not expecting to prohibit it by policy at this moment
- Corporate finance is considered based on the use of funds. We are not expecting to prohibit financing for general working capital, including salaries, bonuses, etc. by policy
- The policy regarding financing for expansion of existing facilities is currently under review for revision

Oil & Gas



<Claim> Prohibition on financing new and expansionary oil and gas projects or companies

- From perspectives of stable energy supply and security, we are not assuming to set a policy prohibiting financing at this moment
- Various initiatives, including the development of new technologies, are being undertaken in line with regional characteristics. Limiting options for decarbonization by tightening policies is not a realistic option at this moment

③ Support for new technologies

- In order to achieve Japan's Carbon Neutrality, maximizing the renewable energy is the most important. However, a certain amount of zero-emission thermal power generation is also needed as a coordination. For this purpose, co-combustion technology and CCUS are necessary
- MUFG is to support new technologies along with monitoring its progress toward practical use through dialogue with clients

Our recognition to achieve Carbon Neutrality

- **Maximizing the introduction of renewable energy** is most important for Japan to achieve Carbon Neutrality by 2050
- However, since renewable energy supply is variable (depending on weather conditions, etc.), **a certain amount of zero-emission thermal power generation as a coordination is also required** to ensure a stable power supply
- In the process of realizing decarbonization of thermal power generation, **co-combustion technology and CCUS are needed for future mono-combustion**

The Japanese Government activities

- The METI's*¹ roadmap also provides a timeline for the practical use of co-combustion
- The Japanese government's **"Basic Policy for Realization of GX"** also mentions that **new technologies are expected to support the transition**. In addition, policy measures such as budget allocation and valuation gap compensation are progressing

Dialogue with clients / monitoring progress

- **Through the Transition Whitepaper projects, MUFG held dialogues with utility and heavy industries companies. Supporting new technologies along with monitoring its progress toward practical use**

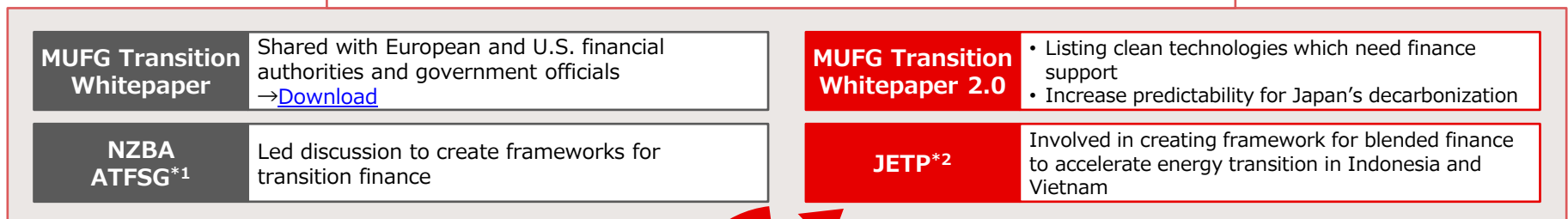
*1 Ministry of Economy, Trade and Industry

4 Engagement initiatives – MUFG Approach

– With involvement in rulemaking and making policy recommendation, MUFG will accompany clients in a responsible manner in their efforts toward decarbonization

1 Policy recommendations in collaboration with industries and government agencies, involvement in international rulemaking

■ : Past initiatives
■ : New initiatives



2 Enhance capabilities to provide solutions to support customers' decarbonization in line with government policies and strategies

Engagement: 1,500 companies*3 Provided solutions through collaborating with external partners

[Zeroboard Inc.](#)
linked cases: **300**

[Tokio Marine & Nichido Fire Insurance Co., Ltd](#)
TCFD consulting service proposals: **85**

Proposals
Domestic : **120**
Overseas : **960**

Collaborating with regional banks

Sharing knowledge on sustainable finance with regional banks

Strengthen capabilities

Expand to provide optimal finance solutions according to market stage

3 Identify new needs and issues along with leveraging various relationships

power PT*4 Further strengthening relations with domestic power companies and industry associations

Follow up

Deepen understanding for clients' transition progress and leverage it for effective engagement

Alliance with Hokkaido Gov.

- Published Hokkaido carbon neutrality report→[Download](#)
- Updated an agreement to develop new industries and human resources contributing to carbon neutrality

Asia Zero Emission

- Support Japanese companies to develop carbon neutrality business in ASEAN
- Strengthen relations with state-owned companies in Asia

*1 **Asia Transition Finance Study Group** *2 **Just Energy Transition Partnership** : A partnership led by the G7 to accelerate the early retirement of emission-intensive infrastructure and support investment in renewable energy generation and relevant infrastructure *3 Including: Linked **300** companies to Zeroboard Inc. (100 companies registered as partners of Zeroboard); Proposed TCFD consulting services (collaborating with Tokio Marine & Nichido Fire Insurance Co.,Ltd) to **85** companies and signed contracts with 11 companies; Domestic discussions and proposals for introducing new ESG financing (approx. **120** companies); Overseas discussions and proposals for transition strategy and short / mid-to-long term financing needs (approx. **960** companies) *4 Project Team

4 Engagement initiatives – Client engagement practice

- Developed a qualitative framework to evaluate client transitions. This framework is also utilized to verify and support projects in carbon intensive sectors

Evaluation and support of client transitions

Client Engagement

Evaluation of client engagement

A qualitative framework was developed by the credit committee and the pilot operation started in FY2022. Planning to incorporate risk quantification and management models in the future

Strategy

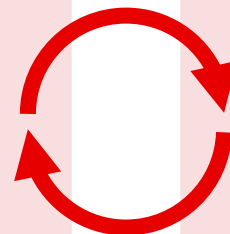
- ☑ Commitment to net zero of own emissions and setting ambitious reduction targets
- ☑ Roadmap for achieving goals / interim targets

Execution and Feasibility

- ☑ Financial base and financing ability to make necessary investments
- ☑ Highly feasible business plan
- ☑ Specific initiatives leading to emissions reductions have been undertaken

Governance

- ☑ Managements' strong commitment to reducing emissions



Verification of carbon intensive sector projects

Review based on understanding of client's strategy through transition white papers, etc.

Example 1

power PT (domestic)

- Understand GX policy trends and client needs / issues. Bring together such knowledge to verify / discuss projects
- Discussions at GM level, chaired by directors and accompanied by internal advisors familiar with the power system and business

Example 2

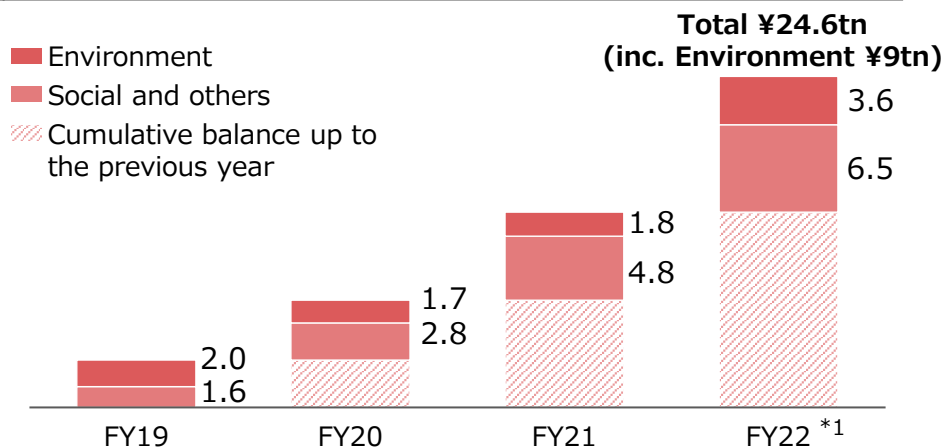
ESG Consultation Process (overseas)

Implement a consultation process for projects based on regional characteristics. Confirm the importance of the projects in terms of client's transition strategy and conduct monitoring

4 Engagement initiatives – Progress on decarbonization support

– Decarbonization support is steadily expanding through client engagement. The initiatives are highly recognized by externals

Progress in sustainable finance



Performance and external evaluation

New award established in 2022
MUFG is the first winner

Best Sustainable Finance Adviser*2

Global No.1

BNEF*3 2022 Renewable Energy Sector League Table

3 years in a row

Wind Investment Awards Lender of the Year

Gold Award 2 years in a row

The 4th ESG Finance Awards Japan (The Minister of the Environment Award)

Transition support

First in the Japanese airline industry

Origination of a transition-linked loan to Japan Airlines Co., Ltd: Approx. ¥26.5bn



First in the Japanese food industry

Origination of a transition-linked loan to Kirin Holdings Company, Limited: ¥50bn



First in Japan

Money trust for individuals with green finance certification (for loan claims against Tokyu Fudosan Holdings Corporation)



First in Japan

Green loan for a biogas power generation project using cattle manure as feedstock: for Kabuto Bio Farm, LLC. ¥3.5bn



Renewable energy support

Financing support for one of **the world's largest** offshore wind projects*4



Supporting **all offshore wind projects** in Japan



Co-financing with JBIC to support renewable energy project of **a state-owned oil company in Indonesia***5 : Total US\$ 50m



Co-financing with JICA to support **power distribution in Brazil** Total ¥18.2bn



*1 Preliminary results *2 Asset Publishing and Research Ltd established this award in FY2022 in a view of the importance of sustainable financing. MUFG is the first winner *3 Bloomberg New Energy Finance *4 Hornsea 2 (The UK) *5 Project based on Asia Zero Emission Community initiative proposed by the Japanese Government

Transition plan for MUFG's decarbonization – Current initiatives

– MUFG formulated a road map for the transition to net zero by 2050, and have disclosed information in its annual Progress Report, including sector targets, results and engagement progress

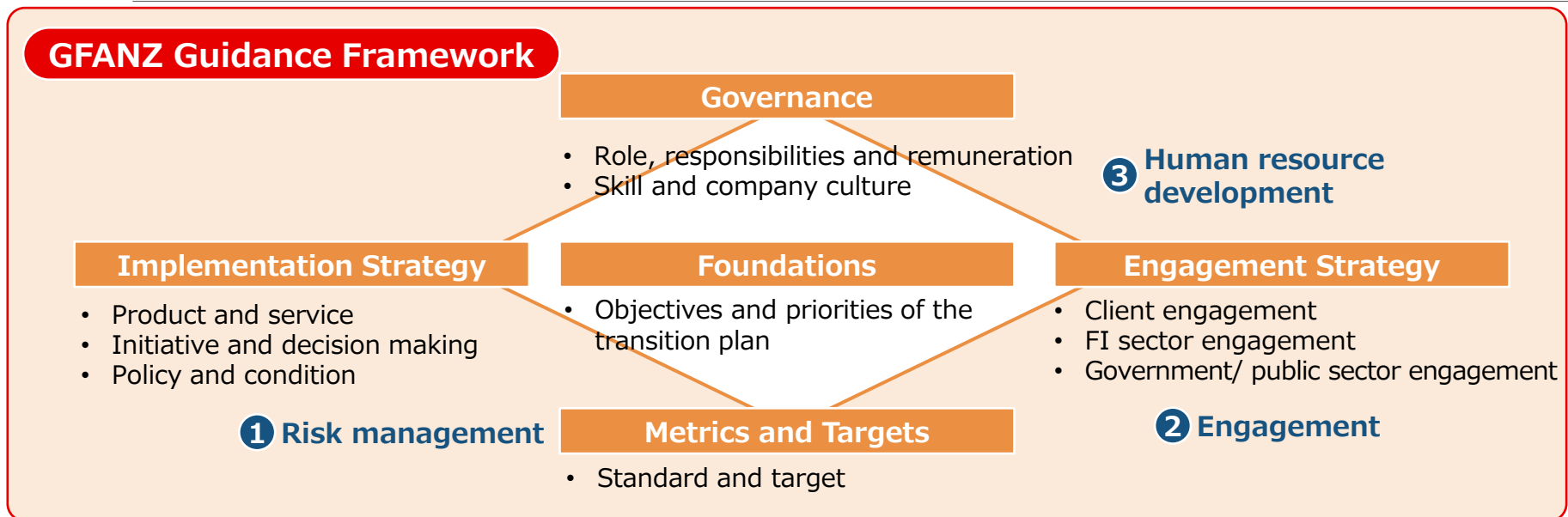
	2019	2020	2021	2022	2023	2024	...	2030 interim target	...	2040	2050
<div style="display: flex; justify-content: space-around; margin-bottom: 5px;"> New disclosure, target or plan MUFG transition plan NZBA's target setting to be completed </div>											
1 Net Zero from Financed Portfolio											
Power (emission intensity, gCO ₂ e/kWh)	328	307	299					156–192gCO ₂ e/kWh			Net Zero
Oil & Gas (emission reduction rate, MtCO ₂ e)	84	81	76					(15%)–(28%)			
Real estate (emission intensity, kgCO ₂ e/m ²)											
Commercial real estate		65						44–47kgCO ₂ e/m ²			
Residential real estate		27						23kgCO ₂ e/m ²			
Steel (emission reduction rate, MtCO ₂ e)	22							(22%)			
Shipping (PCA Score* ¹)			0.6					PCA≤0			
2 Decarbonization through Finance											
Sustainable Finance (¥tn)	3.7	7.9	14.5	24.6				¥35tn			
Credit balance target for coal-fired power generation (FY)											
Project finance (US\$bn)	3.58	3.77	2.95					(50%) from FY2019		Zero	
Corporate Finance (¥bn)		120	90							Zero	
3 Net Zero GHG emissions from own operations											
					FY2025 Domestic GHG emissions (2/3) from FY2020	FY2026 Gr. and global GHG emissions (50%) from FY2020		Net Zero			
4 Decarbonization initiatives as an Asset Manager								Reduce emissions per economic intensity by 50% from 2019 (targeting 55% of AuM)			

*1 A measure of consistency that indicates the difference from the required level across the portfolio. Calculates the Vessel Climate Alignment (VCA) of individual vessels providing financing as a weighted average of the percentages in the loan portfolio

Transition plan for MUFG's decarbonization – Future initiatives

– Plan to accelerate risk management, client engagement, and human resource development in addition to existing initiatives, and announce these as the transition plan in line with the GFANZ guidance framework

Guidance	<ul style="list-style-type: none"> • GFANZ published the transition planning guidance in Nov 2022 • Voluntary recommendations for developing the net-zero transition plan for financial institutions to achieve 1.5°C target by 2050, consisting of 5 elements and 10 items
Future initiatives	<ul style="list-style-type: none"> • Accelerate the following initiatives. Organize the overall in the GFANZ guidance framework and announce it <ol style="list-style-type: none"> 1 Risk management : In addition to the qualitative framework*¹, planning to incorporate risk quantification and management models 2 Engagement : Planning to strengthen the structure for integrated management of business risk and incorporating escalation policies, etc. 3 Human resource development : Strengthen ability and skill development at each level. Accelerate culture-building toward net-zero



*1 Framework for checking the progress of client transitions. Review the transition strategy, its execution and feasibility, and governance during the progress assessment

Appendix

Shareholder proposal

Proposal 1 : Partial amendment to the Articles of Incorporation (Issuing and Disclosing a Transition Plan to Align Lending and Investment Portfolios with the 1.5 Degree Celsius Target, the Goal of the Paris Agreement, for Achieving Carbon Neutrality by 2050)

1. Proposal details

The following clause shall be added to the Articles of Incorporation:

Chapter: "Transition Plan (Portfolio Alignment)"

Clause: "Issuing and disclosing a transition plan to align lending and investment portfolios with the Paris Agreement's 1.5 degree goal requiring net zero emissions by 2050"

1. In order to fulfil the Company's commitment to net zero emissions by 2050 in its lending and investment portfolios, the Company shall set and disclose a transition plan to align its portfolios, in the short-, medium- and long-term, with credible pathways to net zero emissions by 2050 or sooner, including strategic policy commitments and targets for significant GHG-intensive sectors within its portfolios, considering the full range of Scope 3 value chain emissions.
2. The Company shall report on its progress against such a transition plan and targets in its annual reporting.

1. Reasons for proposal

This proposal requests that the Company disclose information required for shareholders to determine the integrity of the Company's plans to achieve its net zero emissions by 2050 commitment, and for the Company to appropriately manage climate change risks, and maintain and increase the Company's long-term corporate value.

The Company is exposed to substantial financial risk, given its significant involvement in carbon-intensive sectors such as fossil fuels. However, the Company has not set and disclosed sufficient targets or policy commitments to align its exposures to the most GHG-intensive sectors with a net zero emissions by 2050 pathway.

It is, therefore, critical for the Company to ensure the integrity of its climate goals and transition plans by setting and disclosing such targets and strategic policy commitments, which should align with the trajectories and key conclusions of credible net zero emissions by 2050 scenarios, such as the International Energy Agency's. Global peers of the Company are already disclosing this type of information.

The disclosure this proposal seeks is commonly expected among investors through the Task Force on Climate-related Financial Disclosures (TCFD), and international standard setting initiatives such as the Net Zero Banking Alliance.

(Note by MUFG)

Cited above is an English translation of the original text of the proposal's details and reasons as submitted by the shareholders.

MUFG BoD's Opinion on Shareholder Proposal

released on May 15, 2023

Proposal 1: Partial amendment to the Articles of Incorporation (Issuing and Disclosing a Transition Plan to Align Lending and Investment Portfolios with the 1.5 Degree Celsius Target, the Goal of the Paris Agreement, for Achieving Carbon Neutrality by 2050)

The Board of Directors objects to this proposal.

In May 2021, we announced the MUFG Carbon Neutrality Declaration, which places the highest priority on addressing climate change and environmental protection issues.

Guided by this declaration, MUFG is steadily implementing group-wide environmental measures, aiming to achieve net zero GHG emissions in our finance portfolio by 2050 and net zero GHG emissions in our own operations by 2030.

Specifically, it is described below.

1. MUFG has made steady progress toward net zero GHG emissions from our finance portfolio by 2050.

(1) In accordance with the GFANZ and NZBA guidelines, MUFG has set 2030 interim targets for high-emitting sectors (power, oil and gas, real estate, steel and shipping) that have a significant impact on GHG emissions from our investment and loan portfolios, and has disclosed the performance of these sectors.[1] We also plan to set interim targets for the automotive, aircraft, and coal sectors by June 2024.[2]

MUFG's interim target for 2030 is calculated using the best available data with reference to the IEA's 1.5 degree Celsius scenario.

The most important thing for MUFG is to support customers' efforts to achieve carbon neutrality, and given that many of our customers have set interim targets for 2030, we believe that effective engagement with customers is possible by setting interim targets that share this timeline. Since 2021, we have engaged with approximately 1,500 clients on this topic, and continue to support them while steadily expanding our climate-change business.

(2) MUFG has established the MUFG Environmental and Social Policy Framework as a framework for investment and lending policies to manage environmental and social risks, and has introduced a due diligence process to identify and assess the environmental and social risks and impacts of businesses financed. Climate change risk management is integrated into the risk management framework to better understand, measure and reduce climate change risks and their potential portfolio, business and financial impacts from a group-wide perspective.

2. MUFG will disclose our transition plan in fiscal 2023. We also disclose progress towards targets in our Progress Report, and plan to continue to do so in our Integrated Report and other media.

(1) MUFG has already committed to disclosing a transition plan for MUFG's decarbonization by the end of fiscal 2023. In developing this plan, we will refer to GFANZ's guidance, etc. [3]

(2) The progress towards targets is reported annually in our Progress Report in accordance with TCFD and NZBA guidance, and is also disclosed in our Integrated Report and Sustainability Report. We plan to continue reporting on progress toward our goals in the Integrated Report and other media.

3. In Japan, articles of incorporation provide for the basic matters of the organization and operation of the company, and it is not appropriate for the articles of incorporation to provide for specific matters concerning the execution of business.

(1) MUFG flexibly reviews its business plans and executes them promptly to respond to changes in social and other conditions. Changes to the Articles of Incorporation require a special resolution at the General Meeting of Shareholders, and we are concerned that if this Proposal were to be passed, it would be more difficult for MUFG to respond flexibly, which could have a negative impact on our customers and other stakeholders.

(2) MUFG believes that it is the responsibility of directors, who have the confidence of shareholders, to respond flexibly to management issues such as climate change.

Therefore, we believe that there is no need to add the proposed clause to the Articles of Incorporation.

[1] As an example, in terms of "electricity," the largest sector by GHG emissions, MUFG is targeting an emissions intensity of 156 -192 g CO₂ e/kWh in 2030 (equivalent to a reduction of approximately 41% to 52% from 2019 levels). As of March 2022, it was 299 g CO₂ e/kWh, down about 9% from 328 g CO₂ e/kWh in 2019 (base year).

[2] These 8 sectors accounted for about 80% of global CO₂ emissions in 2021 (Source: IEA World Energy Outlook 2022).

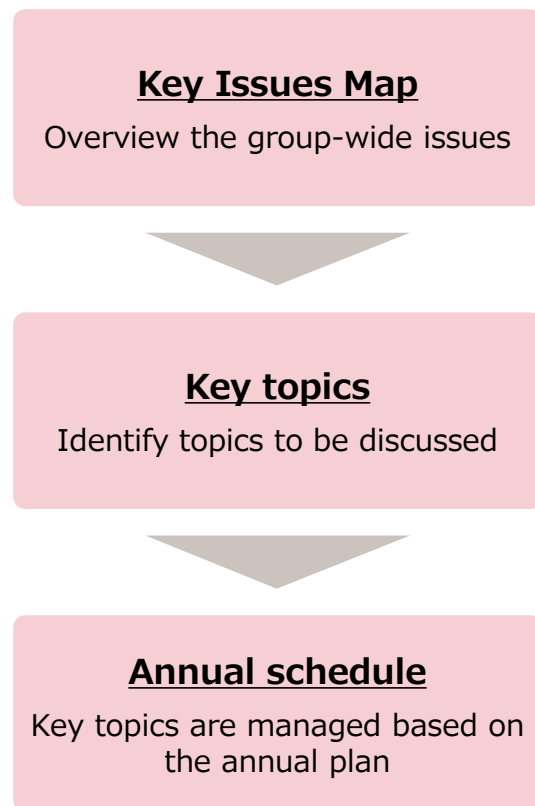
[3] In November 2022, GFANZ published guidance on a "transition plan" consisting of 5 key items, including governance, execution strategy, and engagement strategy.

Governance to support Carbon Neutrality initiatives

- “Sustainable Management” is a important discussion topic at the BoD and reviewed annually. Specific topics are reported and discussed in the briefings for outside directors(educational sessions)

BoD operation

- Overview the group-wide issues and identify key topics for discussion
- Topics for deliberation are organized based on the annual schedule



Opinions related to climate-change from outside directors



Climate-change related initiatives have been dramatically progressing since the Carbon Neutrality Declaration. Expect to keep this sensitive, prompt and precise momentum.



It is important to have dialogues with stakeholders to update the progress



We should continuously be a leading financial group in the nation and industry.





Initiatives and disclosures should take global requirements into consideration



It is vital to be conscious of the gap with G-SIBs

Initiatives to reduce GHG Emissions / Carbon Credits


Net Zero from the financed portfolio

Disclosed	2030 interim target		
	Power	Oil & Gas	
Newly disclosed	2030 interim target		
	Real Estate	Steel	
Next step	<ul style="list-style-type: none"> Interim target results of Power/Oil & Gas sectors FE*1 results by sector in TCFD recommendations 		
	Planning to set Auto, Airline, Coal and other sector targets ※To be addressed by June 2024, 36 months after MUFG joining NZBA		


Net Zero from own operations

Disclosed	<ul style="list-style-type: none"> Shifted to 100% renewable energy for electricity procured by all domestic consolidated subsidiaries
Newly disclosed	<ul style="list-style-type: none"> Roadmap including interim targets*3 for FY2025 and FY2026
Next step	<ul style="list-style-type: none"> Aim to obtain third-party assurance for emissions in FY2022 on a Group and global basis

Decarbonization initiatives as an Asset Manager

Disclosed	2030 interim target (NZAM)	
	Reduce GHG emissions per economic intensity by 50%, compared to 2019 for 55% of assets under management	
Newly disclosed	<ul style="list-style-type: none"> Established new division among 5 MUFG AM companies*2 Established a Sustainable Investing Policy  	
	<ul style="list-style-type: none"> Conduct engagement with approx. 50 companies selected based on GHG emissions and investment amount 	


Initiatives for carbon credits through forest fund investments

Next step	<ul style="list-style-type: none"> Initiate creating carbon neutral financial business through forest fund investments Lead to vitalize domestic and global CC*4 markets and stimulate potential CC offset demand 	
	 <pre> graph LR FF[Forest funds] -- Investment --> MUFG[MUFG CC inventory] MUFG -- Receiving CC --> FF MUFG -- CC trading --> Exchange[Exchange] Exchange --> Customers[Customers] </pre>	

*1 Financed Emission *2 MUFG AM Sustainable Investment Division (the Trust Bank (Investment Management Division), Mitsubishi UFJ Kokusai Asset Management, MU Investments, Mitsubishi UFJ Asset Management (UK), and Mitsubishi UFJ Alternative Investments) *3 FY2025: Domestic GHG emissions 2/3 reduction from FY2020, FY2026: Group and global GHG emissions 50%reduction from FY2020 *4 Carbon Credits

30 G-SIFIs GHG emissions target setting by sector

of sectors with targets*1

7	A	B								
6	C	D								
5	 MUFG	E	F	G						
4	H	I	J	K	L					
3	M	N	O	P	Q	R	S	T		
2	U	V	W							
1										
0	X	Y	Z	AA	AB	AC				

*1 If two fossil fuel sectors (oil & gas and coal) are targeted together, counted as one sector. If targets are set for both commercial and residential real estate sectors, counted as one sector (real estate). Excluded if only sector balance target is set (only counted sectors which GHG emissions target are set)