To Our Shareholders

We ended fiscal 2013 with a record of steady progress. This was the second year of our medium-term business plan and our goal was to put measures into place that would allow us to enter the third and final year with a sound foundation. Thanks to the success of these measures, we achieved growth in net operating profits in all customer segments. We also took a significant step forward under our non-organic growth strategy with the acquisition of a 72% equity stake in Thailand’s Bank of Ayudhya (BAY) through a voluntary tender offer by The Bank of Tokyo-Mitsubishi UFJ (BTMU) in December 2013. This acquisition made BAY a consolidated subsidiary of BTMU.

We also enhanced returns to shareholders to reflect the solid business performance achieved during the year, raising the full-year dividend for fiscal 2013 by ¥3 compared with fiscal 2012, to ¥16 per share.

New Chairman

Kiyoshi Sono was named MUFG’s new Chairman in June 2014. Prior to this appointment, Mr. Sono served as a member of MUFG’s Executive Committee, as Group Head of the Integrated Corporate Banking Business Group, and in a wide range of positions, primarily in Corporate Banking, at BTMU. As Chairman, Mr. Sono will work in close association with President Nobuyuki Hirano and Deputy Chairman Tatsuo Wakabayashi.

Operating Environment

The global economy improved during fiscal 2013. In the United States, domestic demand increased, supported by a number of structural adjustments, including the normalization of the housing market. Although still facing a variety of issues, the European economy posted real economic growth based on improved external demands for products and services. In Asia, although the overall pace of growth slowed somewhat, growth was solid, particularly in the ASEAN region.

Japan’s economy has continued to recover since the launch of the second administration of Prime Minister Shinzo Abe in late 2012. Expanded financial deregulation and large-scale economic measures have improved both household and business morale as well as corporate earnings. We are beginning to create a positive economic cycle in which higher incomes lead to increases in spending and production. The second half of fiscal 2013 also received a boost from accelerated housing investment and retail spending in advance of the consumption tax rate increase in April 2014.
Overview of Fiscal 2013

MUFG’s consolidated gross profits for fiscal 2013 rose ¥119.2 billion from the previous fiscal year, to ¥3,753.4 billion. Despite a significant decrease in net gains on debt securities, net interest income grew on increased lending and net fees and commissions income from investment banking operations expanded as well. There was also an increase in sales of investment products.

General and administrative expenses increased ¥194.3 billion, mainly due to larger investments made to strengthen overseas businesses. This was a key initiative, but the result was a decline in net business profits of ¥75.0 billion, to ¥1,464.1 billion.

Net income increased ¥132.2 billion, to ¥984.8 billion, surpassing our target of ¥910.0 billion. Total credit costs improved ¥127.5 billion, to a net reversal of the provision for general allowance for credit losses. Net gains (losses) on equity securities recorded a large increase of ¥198.2 billion, thanks to smaller losses on write-down of equity securities combined with larger gains on sales of securities. With contributions from Mitsubishi UFJ Securities Holdings (MUSHD), Union Bank, and Morgan Stanley, the difference between consolidated and non-consolidated net income was ¥198.2 billion.

As a result, consolidated net income RORA rose to 0.99% and consolidated ROE rose to 9.05%.

Progress under the Medium-Term Business Plan and Growth Strategy

During fiscal 2013, we implemented both offensive and defensive measures to lay a foundation for stable growth.

Net operating profits in the Global Business continued to grow. Lending balances showed steady increases in priority regions: 17% in the Americas and 10% in Asia on an annualized basis. Amid this growth in overseas lending, the risk-monitored overseas loan ratio remained low, at 0.74% as of March 31, 2014. The ratio for Asia was 0.3%, an indication of the high quality of these loan assets within the overall portfolio.

We also made progress with overseas strategic investments and alliances. As previously mentioned, in December 2013, BTMU acquired a 72% stake in Thailand’s Bank of Ayudhya (BAY), making it a consolidated subsidiary. In accordance with Thailand’s regulatory “one presence policy,” MUFG will integrate BTMU’s Bangkok Branch with BAY within one year of the acquisition. This integration will create a comprehensive commercial banking platform in Asia, covering wholesale, middle-market, and retail banking, and will enable us to create synergies between the customer bases and product and service capabilities of the two banks.
Fiscal 2013 was also a year in which our strategic alliance with Morgan Stanley strengthened our competitive edge in the market. By making maximum use of MUFG’s customer base and Morgan Stanley’s expertise in investment banking, Mitsubishi UFJ Morgan Stanley Securities (MUMSS) ranked No. 1 in cross-border M&A advisory*1 and bond underwriting*2, and it was also at the top end of the league table for equity underwriting*3.

*1 Any Japanese involvement announced, including property acquisitions
*2 Includes Japanese straight bonds, ex FILP agency bonds, including Expressway’s company bonds, and municipal bonds
*3 Includes domestic as well as global offerings of Japanese issuers, based on amount underwritten

Meanwhile, we continued to reinforce our overseas organizational structure. To further strengthen our competitiveness in the United States and comply with U.S. financial regulations, in July 2014 BTMU merged its U.S. operations with Union Bank and established MUFG Americas Holdings Corporation. This integration centralizes the management of BTMU’s operations in the Americas and creates MUFG Union Bank, N.A., a locally incorporated U.S. national bank. These changes are intended to strengthen the Group’s U.S. dollar funding capabilities on a global basis while integrating BTMU’s and Union Bank’s strengths, maximizing earnings opportunities, and shoring up the business base.

**Strengthened Corporate Governance**

MUFG is strengthening its corporate governance to more effectively manage business expansion. We have increased the number of outside directors by two, bringing the number to five on the 15-member Board of Directors. We have also created the Governance Committee as a new committee under the Board of Directors. This new committee invites outside specialists to provide their expertise and guidance. The Risk Committee has been expanded and now also includes outside experts in the field of risk management. Through these and other initiatives, our corporate governance and risk management are more appropriate for a global financial group and one categorized as a global systemically important financial institution (G-SIFI).

**Capital Policy**

Our dividend policy determines the size of returns to shareholders, and for fiscal 2013 we increased the dividend by ¥3 from the previous year, to a full-year dividend of ¥16 per share. We expect to pay a dividend of ¥16 per share again in fiscal 2014. Our policy of continuous increases to the dividend amount remains unchanged and we intend to increase the per-share dividend amount by enhancing our earnings strength. Net income per share was ¥68.29 in fiscal 2013, an increase of ¥9.29 from the ¥58.99 recorded in the previous fiscal year.

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**Shareholder Returns and Dividend Forecasts**

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<th>Dividend payout ratio (%)</th>
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* 176% before excluding negative goodwill associated with application of equity method accounting on our investment in Morgan Stanley
To Our Shareholders

As of March 31, 2014, MUFG’s Common Equity Tier 1 ratio, calculated as equity excluding the impact of net unrealized gains (losses) on securities available for sale, was 9.5%, which met the target level set in the medium-term business plan. With regard to the use of capital, we will consider share repurchases on an ongoing basis as we have in the past, using surplus capital after taking into consideration what is needed for future growth. In terms of strategic investment, we will focus on the BAY merger for the time being, but we will consider high-quality investment opportunities as they arise.

We will continue to seek further increases to ROE while paying close attention to the degree of volatility in equity and bond markets in Japan and overseas as well as to developments in international financial regulations. We also intend to further enhance shareholder returns and make strategic investments for sustainable growth while maintaining a solid level of equity capital.

In Conclusion

Fiscal 2013 marked a turning point in the medium-term business plan. The various measures we have implemented to date under our growth strategy began to yield results, and, helped by the market environment, we were able to achieve results that surpassed our targets. In fiscal 2014, the final year under the plan, we will continue contributing to Japan’s economic revitalization and establishing a business base for sustainable growth while, at the same time, moving toward achieving the plan’s targets.

As MUFG strives to increase shareholder value, we will all continue to work together with a sense of growth and challenge to achieve our goal of being “the world’s most trusted financial group.” We ask for your continued support.

August 2014

Kiyoshi Sono
Chairman

Tatsuo Wakabayashi
Deputy Chairman

Nobuyuki Hirano
President & CEO