Message from the CEO

Strengthening Our Financial Performance & Social Contribution Through Enlightened, Relevant & Future-Oriented Strategies

Implementing the MUFG Re-Imagining Strategy, we will contribute to the strength and development of the social fabric at home and abroad, while working hand-in-hand with stakeholders to ensure mutual and sustainable growth.

Forces Shaping our Domestic and Global Markets

The world witnessed profound upheaval in our fiscal 2016—ended March 31, 2017—with changes in the political sphere, and geopolitical instability arising from new and often violent sources. Regional economic disparities became more significant, and financial markets were shaken by drastic fluctuations. These unsettling forces fueled a sense of uncertainty worldwide. Out of necessity as a responsible business, we learned to monitor and assess the latest operating conditions more accurately, to make swift and timely decisions.

Why did U.K. voters choose Brexit? Why did U.S. voters choose a Trump administration? Largely because of deepening divisions in society and widespread failure of the political and economic establishment to address the divisive results. I believe we must take these developments very seriously, in part because they reveal how ineffective the establishment—which includes financial institutions like ours—has been in recognizing the tectonic pressures building beneath society's surface.

Fortunately, political, economic, and social conditions have been stable in Japan, MUFG's home market. The Abe administration has succeeded in breaking a syndrome of indecisive leadership and its political side effects. Moreover, Japan has enjoyed a fifth consecutive quarter of economic growth, and its society is comparatively stable at the international level.

But structural problems could materialize quickly and forcefully. Japan is facing a number of potential immediate and long-term issues that demand decisive, preemptive action.

Immediate issues include a trend of shrinking corporate investment and household spending due to prolonged deflation, social inequities among generations, and an unbalanced budget. Longer-term issues include the growing effect of an aging and shrinking population, which threatens the nation's social order and sustainability. These short-term trends in spending and long-term trends in demographics affect one another, and we have to address them both accordingly.

Given this domestic scenario, I believe Japan has a duty to embrace a leadership role on the global stage, setting an example of how to deal with issues that others—including developing nations—may also eventually encounter. If Japan succeeds in establishing precedents and sharing best practices, this would help the country strengthen its stature among the international community.

Nobuyuki Hirano
Director, President & Group CEO

Message from the CEO

With this understanding, the Government has proposed "Society 5.0." Drawing on Japan's distinctive strengths, this initiative will use digital innovation to improve public welfare and help transform society. To extend the initiative's reach into broad spheres of society—not just the economy—essential industries such as ours must collaborate to develop solutions to difficult problems. The spirit behind this initiative is a positive sign on the domestic front.

But what about the global economy? True, it appears on a recovery track, but a number of issues must be addressed. One burning topic is whether or not sustainable growth is even feasible. Can the world community appropriately cope with volatile regional and political schisms? Also obviously, the threat of international terrorism poses a looming risk and may further destabilize already shaky social and political structures. Meanwhile, new capabilities for nuclear warfare are on the verge of becoming a real possibility for a regime near Japan—a threat not just to its neighbors but the entire globe.

We must be vigilant at home and abroad, keeping in mind the social and economic implications if any of these threats materialize into stark reality.

The Operating Environment Surrounding the Financial Industry

Against that backdrop, the financial industry is facing its own immediate and potential long-term issues. Among the most severe short-term concerns are the dwindling opportunities to create new business in a market mired in stagnant growth, and ongoing challenges posed by low, or even negative, interest rates.

Fears are growing that any momentum shown by the global economy may be suppressed if the U.S.—the world's leading economic powerhouse—adopts protectionist policies that inhibit international trade and investment. Developed countries would find it harder to move beyond the monetary-easing policies they have instituted at unprecedented levels. Once this cycle sets in, the low interest-rate environment could well entrench, and financial institutions could face an almost intractable struggle.

There are bright spots, however. We anticipate a fresh wave of digital innovation that could help address both short-term and long-term concerns. Of course, this innovation could also raise challenges. Newcomers may leverage it to lure share from established players slow to respond to market trends. On the other hand, established players who make bold use of innovative IT could break through with technologies and business models that are user-friendly and productive.

We believe that just as Society 5.0 in our home country is a key government strategy to address an aging society and a shrinking population, digitalization will be a key ingredient in the unique solutions that financial institutions will no doubt develop to meet the inevitable challenges ahead.

Overview of Operating Results for Fiscal Year Ended March 31, 2017

During the year, our domestic Retail and Corporate Banking and foreign currency Asset Liability Management (ALM) felt the effects of the circumstances discussed above. In particular, they were affected by the Bank of Japan's negative interest-rate policy, and the rise in U.S. long-term interest rates instituted in November. These low rates contributed to decreased profits in many of MUFG's business segments.

Retail Banking, for instance, saw profits decline, due to a slump in revenues from yen deposits and the sluggish performance of investment-products sales. This was despite continued growth in consumer finance, and solid demand for residential mortgage loans fueled by very low interest rates. This suggests we may be midway through our reforms that were meant to induce "a shift from savings to stable asset building."

Meanwhile, Mitsubishi UFJ NICOS Co., Ltd. (NICOS) posted a loss for the second consecutive year. This was due largely to posted expenses for structural reforms to improve performance in the fiscal year starting in April 2017. Looking ahead, we intend to allocate groupwide management resources to NICOS, which we have positioned as a platform for our payment-services business and have decided to make a wholly owned subsidiary. Moreover, ACOM Co., Ltd., also recorded a loss, partly because of additional provision for losses on interest repayment because the number of refund claims has not declined as steadily as we expected.

Profits at Japanese Corporate Banking also dropped, due largely to fewer loans and lower deposit revenues. However, there are signs that the current pace of decline in lending margins is slowing. And we are now offering attractive products such as hybrid loans. These meet the capital-funding needs of listed major corporations responding to the growing trend toward avoiding stock dilution. Also, we are starting to see positive results from our decision last year to simplify reporting lines and integrate our management framework for servicing Japanese corporates at home and abroad—and we will do more in the coming year. We also made solid progress in reducing equity holdings and are in fact ahead of plan.

These are all positive signs, but we need more assertive steps to reverse our prolonged decline in profits. These may even include fundamentally reforming our conventional lending-based business model, which depends deeply on interest income.

Meanwhile, our global banking business has grown steadily. Under strong leadership from its newly appointed CEO, our U.S. operations have bolstered segment strategies, strengthened cross-selling in Corporate Banking, restructured Retail and Commercial Banking, and reduced costs on a sustainable basis. In Thailand, the Bank of Ayudhya (Krungsri) has expanded its business, maintaining stability and the quality of its asset portfolio while solidifying its rank among the top five banks in the country.

We are encouraged by this progress in key global markets, while acknowledging some major challenges. These include upgrading our global governance structure, responding appropriately to evolving U.S. and global regulatory requirements and managing their compliance costs, reviewing our business investment and networks, and enhancing our IT platforms.

Message from the CEO

Profits at Investor Services / Asset Management declined due largely to the dissolution of our domestic Employees' Pension Fund plans, and stagnation in the investment trust market. However, global Investor Services has grown considerably over the past four years and is now capable of a wide range of fund administration services, including those related to hedge funds, private equity, and U.S. 40 Acts. To build on this momentum, we will focus on fortifying profits by expanding our client base and reducing costs. Also, to satisfy our current medium-term business plan, we will step up our efforts to make inorganic investments in our asset management business.

Our global markets business underwent major changes this past year. In Sales and Trading, we began integrating our Bank and our Securities Company businesses in Japan and overseas. This helped grow profits, particularly from overseas operations. Although interest income and other revenues declined in Japan, growth in revenues from operations in the U.S., Europe, and Asian countries outside Japan largely compensated, with overseas operations accounting for more than 50% of our total profit. On the other hand, we drastically reduced the risk in banking ALM by decreasing balances and shortening durations, even though these operations performed well in the first half of the year. We did this to protect operations against the correction phase of yen interest rates, and the effects of hikes in U.S. interest rates, along with other factors adding more uncertainty. As a result, profits in this business declined significantly. Going forward, we will tackle the immediate challenge of optimizing banking ALM portfolio to ensure stable, ongoing profit.

Policies for the Fiscal Year Ending March 31, 2018 and Beyond

At the beginning of fiscal 2017, we entered the final year of our current medium-term business plan. Although it's highly likely we will reach our Common Equity Tier 1 Capital Ratio target, it's unlikely we will reach our targets for earnings per share (EPS), which represents growth; or for return on equity (ROE) and the expense ratio, which together indicate profitability. We also need to pay close attention to the effects of Basel III revisions, the introduction of Total Loss Absorbing Capacity (TLAC) requirements, and other impending global financial regulations that may impose harsher restrictions on our capital-investment decisions.

To strengthen our ability to adapt to new restrictions, our priorities in the next medium-term business plan will include making better use of our capital through a disciplined mindset finely tuned to returns on risk. At the same time, we will implement a balanced capital policy aimed at financial strength and enhanced shareholder returns. This will help us maintain stable ROE at a level higher than capital costs, which will require a framework to improve return on risk-weighted assets (RORA), particularly in commercial banking. At the same time, we intend to assure sustainable growth through the MUFG Re-Imagining Strategy and its robust initiatives, as described below.

The MUFG Re-Imagining Strategy

One truth has become clear: A business model centered on conventional commercial banking is no longer sustainable and must be reformed. This is why our current medium-term business plan promotes reforms that rely heavily on three umbrella themes: "Focusing on the customer perspective," "Taking a Group-driven approach," and "Making productivity improvements." These reforms are meant to address challenges we anticipate from structural changes in society and economies over the next ten years. This still holds true. But we have to intensify our efforts because the pace of change is much faster than we could have envisioned when we planned these reforms.

We need a radical new approach for at least three reasons. First, we are certain that top-line revenues from our existing businesses will fall far short of initial estimates, due to an ongoing worldwide trend toward ultra-low-interest rates and anemic economic growth.

Second, imminent global financial regulations will place tighter restrictions on capital and liquidity—both essential to business expansion—and drive up the cost of compliance. Third, widespread digitalization has dramatically outpaced projections. True, it will open huge opportunities to reform our business model, but by the same token, newcomers armed with digital innovations can threaten our base.

These projections have prompted us to a sense of urgency. In summer 2016, we launched a dedicated project team that, by design, includes young leadership representing the future of MUFG's operating units. After thoroughly reviewing our operations and management structure, the team formulated the MUFG Re-Imagining Strategy, a set of pivotal policies to guide our business strategies.

As we discuss the upcoming renewal of our medium-term business plan, we will form action plans based on macro policies laid out in the MUFG Re-Imagining Strategy and initiate the second phase of our reforms. The underlying theme of this phase is "a shift to a management approach that is simple, speedy and transparent."

Our MUFG Re-Imagining Strategy is presented more fully later in these pages, but let me describe its four supporting pillars here.

The first pillar is "Strengthening our management approach based on customer- and business-based segments." MUFG's longstanding operational philosophy has been to facilitate each unit's standalone superiority in its niche. However, our current view of an overarching mission is more comprehensive and outward-facing: We aim as a team to deliver optimal solutions to customers—individuals, corporations, and institutional investors—each of whom faces unique challenges. This, to us, is a large part of what it means to fulfill our responsibilities.

note Figures are rough estimation in FY2023

1. Strengthening our management approach based on customer- and business-based segments

(1) Further Wealth Management strategy
(2) Reinforce business with large companies with group-unified service and global platform
(3) Accelerate Asset Management business
(4) Enhance Payment Platform

2. Business transformation through the use of digital technology

(1) Improve customer convenience
(2) Business process reengineering
(3) Reform customer interface channels domestically and globally

3. Initiatives to improve productivity

(1) Strategically review portfolio of existing investment in affiliates
(2) Optimizing human resource allocation on a group-basis
(3) Working-Style reforms (increase time to face customers)

4. Reorganization of MUFG Group management structure

(1) Integrate corporate loan-related business of the Bank and the Trust Bank
- Establish the most suitable formation to service our corporate clients as one group
- Clarify the mission and responsibility of each group member

(2) Strengthen AM and IS businesses — New trust banking model
- Accelerate AM and IS businesses as growth area for group
- Make Mitsubishi UFJ Kokusai Asset Management a wholly owned subsidiary of the Trust Bank

(3) Review customer segmentation
- Integrate Japanese retail banking and SME segments
- Reorganize Japanese large corporate and global corporate segments respectively, each of which is managed globally across geographical boundaries

(4) Establish the framework to promote our digital strategy
- Appoint a Chief Digital Transformation Officer (CDTO)
- Establish Digital Transformation Division

(5) Reinforce retail payment business
- Make NICOS a wholly owned company of MUFG

(6) Rename the commercial bank as "MUFG Bank"

Message from the CEO

This requires us to change our approach from supervising a set of affiliated operating companies that run their respective businesses autonomously, to establishing an overarching structure that freely mobilizes the functions, products, and services of each company. This new approach facilitates the environment we want to create, where resources can be drawn from anywhere and, most important, any activity can center on satisfying customer needs.

One way to do this is to create a single point of contact for the customer. We can also eliminate functional overlaps, clarify the mission of each operating unit, and free them to concentrate resources on pursuing their mission through their core expertise.

To help achieve this, we are establishing a new brand that encompasses all the group's wealth management functions; building an integrated marketing platform—a combination of the Bank, the Trust Bank, and the Securities Business—that serves global corporations; pursuing inorganic expansion in the global asset management business undertaken by the Trust Bank, through executing majority investment; and launching groupwide payment services employing the NICOS platform.

The second pillar is "Business transformation through the use of digital technology." We will promote our initiatives in three areas.

One, we will create new businesses to make banking more convenient for customers. In addition to improving the customer experience through simple and easy-to-understand mobile interfaces, we will promote cashless transactions and digitalize residential mortgage loans. We will also deepen our marketing capabilities through data analysis.

Two, we will re-engineer our business processes. We will infuse our operations, from frontline to back office, with digital technologies that improve the entire process, with the aim of reducing total workloads 30%—equivalent to the labor of 9,500 personnel in our home market.

And three, we will reform customer interface channels, domestically and globally. Specifically, we will expand service channels supported by a "virtual branch" and, at the same time, strengthen advisory services that require direct human interaction at physical branch locations. This will lead the way toward next-generation bank branches. Another key reform will be in system design and development methodology. Stable, robust, and secure systems will always be absolutely crucial, of course, but in specific areas that require enhanced UI/UX both for customers and colleagues, we need to add an "Agile" dimension. This will also be applicable to our legacy platforms and promote a switchover to cloud computing.

The third pillar is "Initiatives to improve productivity." Our current medium-term business plan calls for better productivity in three asset areas—human, capital, and investment. To speed results, we will optimize staffing through digitalization while reforming work styles. We will also free our groupwide human resources from the confines of a single business unit, and develop a unified human-resource management system. As for capital and investment, we will upgrade management systems to support our risk-weighted asset, liquidity, and cost return. And we will strategically reassess the efficiency of our existing investment outlets—in Japan and globally—and use what we learn to optimize our portfolio. This will help improve ROE.

The fourth pillar is the "Reorganization of MUFG Group management structure." While the first pillar strengthens our management approach based on customer- and business-based segments, the fourth pillar reassesses our customer segmentation with an eye toward integrating domestic retail banking and small- and medium-sized enterprise (SME) segments of the Bank. We will also migrate to a global management structure in our service to large Japanese corporates and large global corporates alike. Both structures will transcend geographical boundaries, and—in line with our policy of integrating overlapping functions and clarifying the mission of each operating company—we will transfer the Trust Bank's corporate lending business to the Bank. At the same time, we will make Mitsubishi UFJ Kokusai Asset Management Co., Ltd., a wholly owned subsidiary of the Trust Bank, which will position asset management as its core business. And, as mentioned, we will make NICOS a wholly owned subsidiary of MUFG.

When we complete these reorganizations, we will have created a globally unified brand we can present to customers worldwide, showing an integrated structure capable of marshaling groupwide resources on their behalf. The upcoming rebranding of the Bank to "MUFG Bank" in overseas markets is in line with this brand strategy.

The MUFG Re-Imagining Strategy aims to boost net operating profits by ¥300 billion over seven years. ¥180 billion of this will come from increased profits, while ¥120 billion will come from reduced costs, mostly through digitalization. We calculate these figures by assessing approximately 70 individual measures and their possible effects, feasibility, and timelines.

Upgrading Our Governance Framework

We cannot live up to the expectations of stakeholders—and sustainably grow at the same time—without a robust, transparent corporate governance framework. We have endeavored to establish such a framework since the founding of MUFG.

Soon after MUFG's transition to a "Company with Three Committees" structure in 2015, three core subsidiaries also adopted a "Companies with Supervisory Committees" system. And we have appointed outside directors with diverse backgrounds while creating non-mandatory governance-related committees. Now, having expanded the Board's diversity, we will focus on developing an inclusive pool of successor candidates, and formulating succession plans for outside directors.

MUFG has made steady progress in strengthening governance functions, namely: streamlining the selection of agenda items at Board of Directors meetings to allow plenty of time for discussion; simplifying meeting materials and clarifying points to be discussed; enriching the content of information provided to outside directors; and conducting off-site meetings to allow deep dives into strategic matters. Under the initiative of its Lead Director, MUFG also convenes meetings to facilitate communication with operating units' board members. In addition, MUFG's management team holds discussions with independent directors who serve at an intermediate holding company (IHC) in the U.S. Furthermore, the MUFG Audit Committee engages in deliberation with each operating unit's board of corporate auditors. And importantly, MUFG's independent directors participated in discussions leading to the formulation of the MUFG Re-Imagining Strategy. Management benefitted from these directors' insights and kept them in the loop on progress.

Thanks to these efforts, the latest Board of Directors self-evaluation process confirmed improvements on a number of fronts. However, the Board unanimously agreed we need to optimize its mix to better deal with the globalization of MUFG Group operations. Currently, around 40% of our shareholders are foreign institutions, approximately the same as the ratio of our overseas colleagues to the total group workforce. Overseas revenues also account for around 40% of net operating profit of our total customer segment. Accordingly, board members have been quick to identify the urgent need for non-Japanese directors. This is why, at the recent Annual General Meeting of Shareholders, two foreign

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nationals were appointed as directors: Mr. Toby S. Myerson, an attorney with extensive expertise in cross-border M&A and who concurrently holds the post of Lead Director at the U.S. subsidiary Mitsubishi UFJ Americas Holdings; and Ms. Tarisa Watanagase, former Governor of the Bank of Thailand. We have positioned the U.S. and Asia as strategic markets for our overseas operations and are confident these appointments will prove beneficial.

The Board also recognizes the need for more robust succession plans, as well as the need to nurture future leaders. In May 2017, the president of the Bank stepped down partway through his term of office, sadly due to health issues. The Nominating and Governance Committee moved swiftly to select his successor, preempting major disruptions. We attribute this decisiveness to our steady progress since 2015 in building a framework for succession plans. Objectives included clear transition principles for both emergency contingency planning and for standard succession planning. Although the circumstances of our president's resignation were truly unfortunate, we were gratified to see our preparations pay off with a smooth transition. We will keep working to build the number of management candidates with top leadership potential, and will develop programs to educate prospects who may become MUFG leaders two generations from now.

Of course, succession plans must cover outside directors as well. Even though we have optimized the composition of our Board of Directors in terms of experience, fields of specialty, and geographical diversity, it is hard to maintain an ideal balance while avoiding the drawbacks of a fixed membership. This is why, in the year ending March 31, 2018, the Board of Directors will discuss the possibility of creating a more clearly defined set of requirements for director candidates, and setting limits on re-appointment. Regarding governance of Group operating companies, MUFG's Nominating and Governance Committee will review the current "Advisor" system at each operating unit.

Addressing Environmental & Social Issues through Business Activity

Earlier, I discussed our solemn obligation to take action on social issues. Specifically, we need to consider what role we can play as a prominent global financial group based in Japan. Our obligation lies partly in response to the realities of an aging population, a declining birthrate, and the effects of these factors on social sustainability. In addition, as a financial group operating on a global basis, we must ask ourselves what we can do to counter climate change, regarded as a major contributor to natural disasters around the world.

Today, most business leaders agree that one of the purposes of business is to help solve issues confronting society, and to create shared value. This is certainly true in Japan; the idea dates back centuries, expressed in an old maxim that every business must benefit the seller, the buyer, and society as a whole. A modern-day equivalent is the use of Environmental, Social, and Governance (ESG) criteria to evaluate corporate activities, a practice becoming more commonplace. Just last year, Japan's Financial Services Agency formally included the concept of "creating shared value" in its Strategic Directions and Priorities.

We fully agree with this concept and place great emphasis on helping preserve the environment and contributing to society through healthy business activity.

In terms of social contribution, we are striving to help invigorate the economy and build a sustainable society, with each group company doing its part in its area of expertise. In this regard, MUFG generally places particular importance on supporting more-sophisticated investment strategies for households, and assisting SMEs.

To help households develop investment strategies, MUFG can play the dual role of asset manager and distribution resource; we have Japan's greatest capacities in those two fields, given our expertise and extensive branch network.

As an asset manager, the Trust Bank strives for best practices in management policies that conform to Stewardship Codes. This helps avoid conflicts of interest and creates clear standards for voting rights and disclosure of voting results. The Trust Bank has a proud track record in these matters, due to its high standards of researching and executing fiduciary duties in pension planning. With the MUFG Re-Imagining Strategy identifying asset management as the Trust Bank's core business, and with Mitsubishi UFJ Kokusai Asset Management Co., Ltd., being made a wholly owned subsidiary, our focus on asset management is stronger than ever.

As for our role as a distribution resource, our group companies have been industry leaders in forming fiduciary-duty policies and designating relevant key performance indicators. Although the government has articulated a "shift from savings to stable asset building" as a major policy, it will take time and effort before the nation sees results. So in the meantime, we will develop educational programs for potential investors, ranging from inexperienced young people to established business professionals.

MUFG has a robust track record in helping and nurturing SMEs in Japan; it is part of our day-to-day heritage dating back centuries through our predecessor companies. More recently, we have been organizing large "business matching" events, a kind of referral service in which we arrange introductions among business-partner candidates selected from our roster of corporate customers, based on their needs. So far, we have hosted 14 of these events, with attendees from 37,000 companies and resulting in 77,000 negotiated business arrangements. It is well known that Japan's industrial sector is supported by numerous SMEs with superior technological strengths in manufacturing. With this in mind, and despite a longstanding deflationary economy, MUFG systematically supports SMEs looking for business opportunities rather than funding.

We sponsor the "Rise Up Festa," a competition supporting startup businesses, as well as the "MUFG FinTech Accelerator Program." With these tools, we aid in the discovery of new technologies and business models while encouraging high-tech entrepreneurship and helping bolster the Japanese business sector.

Message from the CEO

We consider supporting SMEs as part of our heritage of planting deep local roots in the communities we serve. We aim to invigorate stagnant local economies—a longstanding issue in Japan.

MUFG considers it a core responsibility to conduct business in an environmentally responsible manner, and we have long embraced environmental preservation activities, including countering climate change. For example, we were early financers of renewable-energy businesses involved in solar, hydroelectric, wind, and geothermal power generation. Thanks to our world-leading expertise in this field, MUFG's project finance track record is consistently ranked in the top echelon of financing renewable energy. To raise investment funds, in September 2016 we issued "Green Bonds" to conform to the latest global financial regulations. Securities also boasts a proven track record in consulting services that help businesses in emerging nations reduce greenhouse gas emissions.

In June 2017, members of the Board of Directors discussed how to ensure ESG management at MUFG and how we should address environmental and social issues as a matter of course. We intend to keep helping resolve social issues while upgrading our management of environmental and social risks. Implementing these and other strategies to create value over the long term, MUFG will work to live up to expectations of stakeholders around the globe.

Developing Human Resources while Promoting Diversity

Ultimately, the value of our products and services to customers and society depends on unlocking the potential within our colleagues. Tapping this power of "human capital," we can help colleagues reach high and inspire them to do their best. We also must promote their long-term career development by supporting Human Resources as it provides necessary tools. The quality of the working environment is also key. We believe senior leadership is responsible for creating a vibrant workplace that embraces creativity and allows a diverse team of colleagues to energize each other and aim with confidence for ambitious targets.

MUFG offers various career paths based on goals each colleague sets voluntarily, and provides individually tailored career-development training that differs by job category and position. In recent years, we have seen a growing need for talent capable of leading global operations. So we have been identifying leadership talent in search of candidates who transcend the traditional boundaries of business segments. We also have sought to develop these candidates' skill sets so they are prepared for future career advancements. We host seminars to develop next-generation leaders, and I personally enjoy visiting these events to observe and give feedback on presentations by participants who show amazing potential. In fact, many initiatives in the MUFG Re-Imagining Strategy are based on ideas from the rising talent so abundant at these events.

We also need to step up business reforms through digitalization, in two areas. First, developing capable talent. We not only have to raise top management's awareness; we need initiatives to create new business and push end-to-end process reforms. Second, we must train those in positions likely to be replaced by digital technologies so they can flourish in new roles that require creativity.

In Japan, government-led "Work Style Reforms" are now underway. To help counter a labor shortage due to an aging and shrinking population, these reforms promote women's participation in the workforce and counteract socioeconomic forces suppressing the birth rate. They also promote industrial productivity, where Japan lags behind its peers. As a participant in these reforms, MUFG has identified three key initiatives: helping colleagues find an optimal work-life balance; offering them opportunities to pursue self-development; and giving them reasons to take pride in being part of MUFG.

According to a survey last year, the majority of MUFG colleagues has a high level of satisfaction with work life, and feels a sense of "belonging" at MUFG—more so than peers do at other financial institutions. That is good news, but much remains to be done.

This includes promoting workforce diversity. To help female colleagues strike a productive balance between work and parenting, MUFG has introduced support systems, such as an in-house concierge service and a company-sponsored childcare facility. Thanks to this and other initiatives to help them smoothly re-enter the workplace after childbirth, the number of domestic MUFG colleagues on childcare leave has grown to more than 3,300, well above other Japanese corporations. As for our efforts to offer women greater career opportunities, the ratio of female colleagues in managerial positions has reached 19.2%, approaching our current target of 20%. However, the number of female leaders in top management positions is still insufficient. We have made some progress—for instance, appointing another female director to the MUFG board and the first female executive officer at the Bank—but we must redouble our efforts to nurture and cultivate female talent for executive positions.

In Conclusion

Last year, while discussing the "MUFG Re-Imagining Strategy" with our next generation of leaders, I became acutely aware of how our deep-rooted corporate culture prioritizes the lending business above all else. It is time to break with this culture. We are committed to being a financial group genuinely capable of meeting diverse customer needs. To this end, we are striving to deliver truly valuable and seamless services to a broad range of customers in a timely manner. This is also my personal commitment and is fully reflected in the "MUFG Re-Imagining Strategy."

Our reforms are meant to ensure sustainable, mutual development for the Group and all its stakeholders. That is how we will contribute to a strong social fabric at home and abroad. Furthermore, we will share the fruits of these reforms with our stakeholders by enhancing shareholder returns, improving the quality of our services beyond customer expectations, and creating a rewarding workplace for colleagues. We will contribute to society and help preserve the global environment through our business activities. As an institution that functions as part of society's foundation and helps provide its lifeblood, we are determined and honored to fulfill these duties.

We are hard at work to earn a reputation as the world's most-trusted financial group. To that end, we pledge to do our best to make structural reforms now, so we can pass a legacy of earned trust into the hands of future generations at MUFG.

We ask for your continued understanding and support as we devote ourselves to these worthy goals.

July 2017

Nobuyuki Hirano
Director, President & Group CEO

MUFG Re-Imagining Strategy—Building Anew at MUFG

Operating environments surrounding MUFG have drastically changed from those prevailing at the time of the current medium-term business plan was formulated. Regardless, MUFG aims to remain a financial group capable of achieving sustainable growth by quickly adapting to structural changes in operating environments at home and abroad. To that end, we announced the MUFG Re-Imagining Strategy in May 2017.

Taking an integrated group-based management approach that is simple, speedy and transparent, MUFG is committed to delivering the best value to its customers, employees, shareholders and all other stakeholders. Moreover, MUFG will provide solutions for issues society is confronting through its business activities. In these ways, we will contribute to the sustainable development and betterment of society.

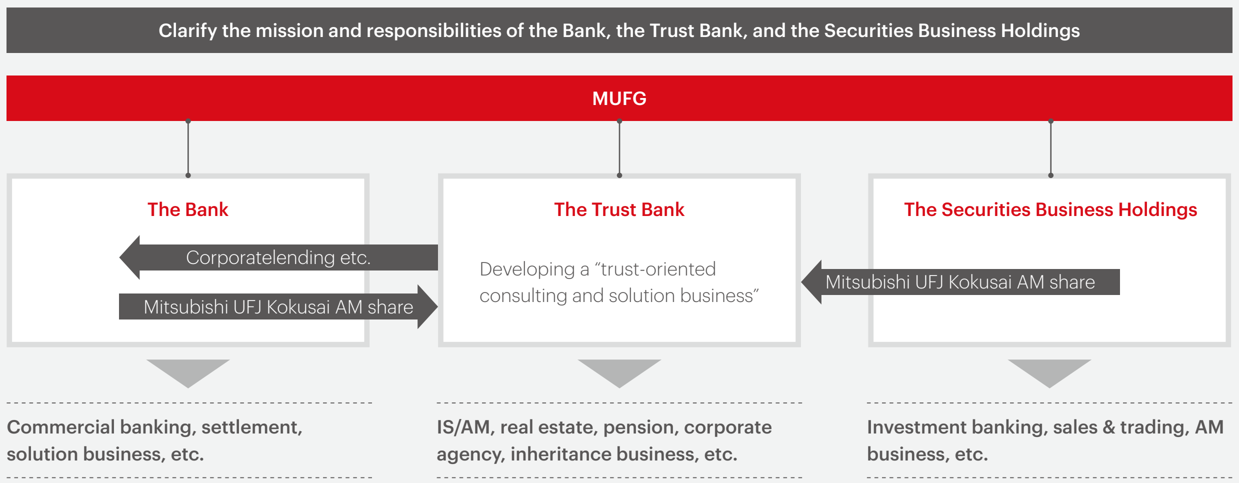
Strengthening our management approach based on customer- and business-based segments

Working as one, group companies pursue the common goal of going beyond the boundaries of conventional business categories and geographical regions to deliver greater value to customers.

For example, MUFG executes wealth management strategies aimed at seamlessly providing individual customers with diverse solutions that draw on its distinctive strength in comprehensive financial services.

As for corporate customers, we aim to establish an optimal structure that enables us to offer client services as one group and, to this end, will transfer the Trust Bank's corporate loan-related business to the Bank. As for the Japanese large corporate and global corporate segments, we will reorganize operations for ease of management across geographical boundaries. In these ways, we will be better set to address sophisticated and diverse customer needs.

At the same time, we are striving to establish a new trust banking model, with the Trust Bank placing particular focus on the investor services and asset management businesses—key growth drivers for the Group. In furtherance of efforts aimed at stepping up the asset management business, we will make Mitsubishi UFJ Kokusai Asset Management Co., Ltd. a wholly owned subsidiary of the Trust Bank. We will also accelerate overseas expansion with an eye to securing majority investments. In the investor services business, we will strive to establish the "MUFG investor services brand" to become a global player boasting a strong presence.



Business transformation through the use of digital technology

Digitalization is key to MUFG's future. To MUFG, it doesn't mean "replacing human workers with machines." Rather, our focus is to utilize digitalization to better serve our customers by creating products and services that are simpler and easy to use. Simultaneously, we will utilize it to streamline operational process supporting such offerings.

Today, customers' preferences and behavior patterns are radically changing on the back of such factors as the widespread use of mobile devices and the advancing aging of populations. Taking changing social trends and customer needs into account, MUFG will strive to develop optimal channels as a Group. Specifically, we have positioned "user-friendly," "speedy," "frictionless" and "location-free" as key concepts for our "channel reforms." By doing so, we will provide easy-to-use, simpler services that can be accessed anywhere, anytime, eliminating the need for undergoing burdensome procedures or switching from among service interfaces.

Efforts are now under way to develop a robust framework for driving the aforementioned reforms. The Digital Innovation Division will be reorganized and renamed to the Digital Transformation Division, with greater resources allocated to digital transformation. Furthermore, we will appoint a Chief Digital Transformation Officer (CDTO). These moves will accelerate our digital strategies.

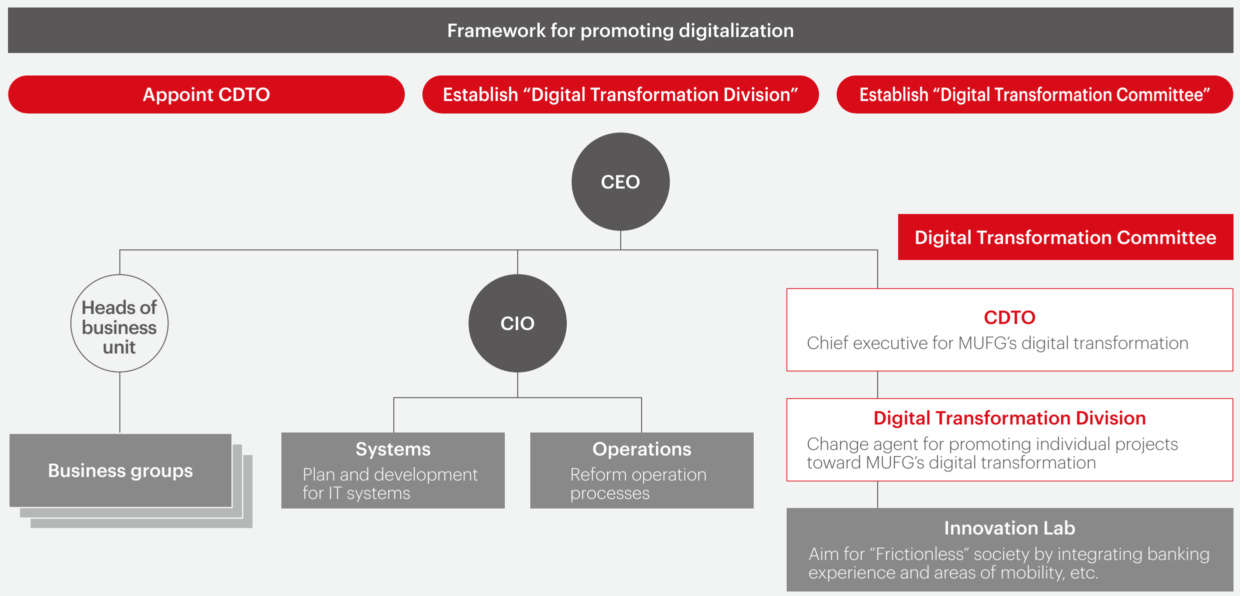
Meanwhile, MUFG will make Mitsubishi UFJ NICOS a wholly owned subsidiary, aiming to better leverage the subsidiary's capacity as a settlement platform that will, in turn, drive the creation of value-added services and boost the group's settlement business. Using this move as a springboard, we will accelerate our structural reforms, our pursuit of synergies of group operations and the digitalization of the entire group.

Initiatives to improve productivity

We aspire to better serve customer needs by effectively utilizing our limited management resources. We also aim to help each employee realize their full potential. To this end, we will carry out "optimization" by rallying groupwide strengths.

For example, we will optimize our strategic investment portfolio while giving due consideration to capital discipline and RWA regulations. We will also pursue opportunities to achieve inorganic growth in strategic areas.

Moreover, we will leverage digitalization to create a working environment that allows employees to concentrate on duties that lead to the creation of greater value. We will also encourage them to pursue self-development and to satisfy their intellectual ambitions. In short, we will endeavor to develop a workplace in which everyone finds his/her pursuit of a professional career rewarding.



MUFG's Digital Strategies

Moving beyond FinTech
Fostering Open Innovation for Future Generations

MUFG boasts extensive expertise in the financial business and over time has built a reputation for trustworthiness. FinTech startups offer novel ideas for innovative services. Combining the strengths of the two, we are about to launch unconventional services that boast superior user convenience while ensuring security.

Provision of MUFG APIs

Among the trends in software and web-service technologies, Open API* is an open innovation initiative a number of corporates are utilizing to make their programs available to external parties via the Internet. Using APIs, third-party corporations can access these programs and combine them with their own technologies and ideas, thereby leading to the release of novel services.

Remaining on-trend with advances in these areas, in March 2016 MUFG became the first domestic bank to host a "hackathon" event in which external developers compete to create new services that employ banking APIs. In April 2017, MUFG also made its APIs for the BizSTATION corporate online banking service available to external partners, initiating collaborative development.

Going forward, we will strive to create innovative services through the provision of new APIs and partnership with external companies.

* Application Programming Interface: A set of programming instructions and standards for accessing a software application

Participating in a Next-Generation Settlement Network Lead by Ripple Inc.

The U.S.-based Ripple Inc. has developed a new technology that enables the development of a global transfer network and is expected to provide a settlement solution for future generations. Along with messaging functions, the resulting transfer network will boast real-time transfer and settlement capabilities thanks to the application of blockchain related cutting-edge technologies.

MUFG participates in the domestic consortium to discuss the commercialization of this technology. Moreover, Bank of Tokyo-Mitsubishi UFJ became the first Asian bank to contribute to discussions at the global advisory board with regard to the formulation of rules governing global settlement networks.

Once this network is established and available to users, it will realize domestic and international settlements that require less time to complete while being safer and more efficient. proof of concept aimed at putting the technology into commercial use at the earliest possible date is now under way in fiscal 2017.

Collaboration with Alpaca

AlpacaDB, Inc. is a venture company pursuing the creation of unconventional services with the fusion of finance and AI. In August 2016, Alpaca was chosen to receive the second prize at the Accelerator Program sponsored by MUFG.

Currently, Alpaca is involved in several projects at MUFG that leverage its strength in the area of deep learning. For example, kabu.com Securities Co., Ltd. released "AlpacaSearch for kabu.com," an analysis tool for individual investors based on Alpaca's chart image recognition services. Also, Jibun Bank Corporation began providing an AI-based foreign currency deposit management assistance tool with prediction capabilities. Furthermore, the Bank of Tokyo-Mitsubishi UFJ is looking to create market forecast, news analysis and other AI-driven trading assistance functions.

MUFG will continuously endeavor to create unconventional services through collaboration with external corporations.

kabu.com Securities	Jibun Bank	The Bank of Tokyo-Mitsubishi UFJ
Online stock trade	Foreign currency deposits	Trading
Provide chart analysis service based on AI-driven digital image recognition	Offer support tools (market forecast utilizing AI)	Establish market forecast model AI trader
Assist investors with search for stock candidates optimized for a "pairs trading" strategy, thereby providing greater user convenience	Aim to provide a deposit product that uses an AI-based investment decision assistant	Employ deep learning to realize automated and more efficient trading

Initiating a Trial Use of MUFG Coin

Although banknotes and coins can be used anywhere in their currency zone, the significant toll in terms of cost and time required for the procurement, storage and transport of these instruments is often overlooked. With an eye to bringing innovation in the field of virtual currencies, MUFG is developing a low-cost cashless finance infrastructure by leveraging blockchain technologies, with the goal of releasing "MUFG Coin"—a convenient digital payment instrument that help facilitate the realization of a cashless society in Japan.

In addition to their instantaneous transfer capabilities, MUFG Coin will provide new settlement experiences, such as the ability to make "micropayments" in decimal value increments. Moreover, corporate users will be able to allocate surpluses derived from reductions in costs to increase benefits for individual customers. As such, MUFG Coin are expected to enhance economic activities by fully leveraging the strength of virtual coins.

In May 2017, MUFG launched the trial of these coins for in-house use. Discussions toward their release to the general public are now under way.

Pursuing Sustainable Growth for the Group through Solid Financial and Capital Management

We are now in fiscal 2017, the final year of the current medium-term business plan and, as the CFO of MUFG, I would like to lay out the initiatives that the Group will be undertaking under my direction as well as the Group's future outlook.

July 2017

Muneaki Tokunari
Director, Senior Managing Executive Officer, Group CFO

Fiscal 2016 Business Results

Throughout fiscal 2016, which ended March 31, 2017, the ultra-low interest rate environment continued in Japan due to a "quantitative and qualitative monetary easing with negative interest rates" policy undertaken by the Bank of Japan. Overseas, such developments as the results of the Brexit referendum and the election of a new U.S. president have led to major fluctuations in the financial market. Against this backdrop, MUFG's gross profits totaled ¥4,011.8 billion, down approximately 3% year-on-year. Key factors contributing to this decrease included a decline in net interest income in Japan that reflected the low interest-rate environment; sluggish investment product sales in the retail business segment in the first half; and a fall in market-related profits in the second half due to increases in interest rates in such countries as the United States.

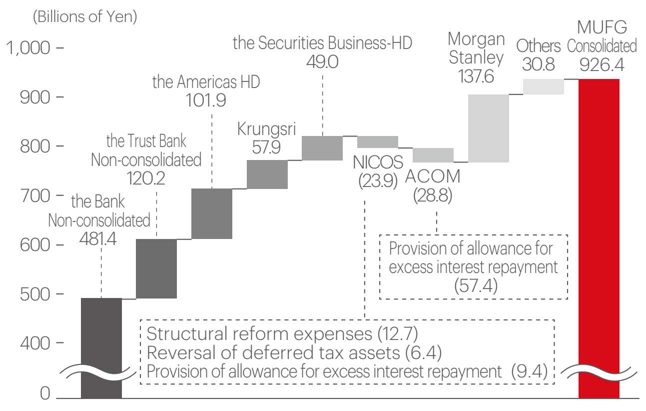
Overall expenses stayed virtually unchanged compared with the previous fiscal year, thanks to the success of across-the-board cost control efforts and the effect of Japanese yen appreciation, despite higher expenses for financial regulatory compliance purposes. As a result, net operating profits decreased approximately 9% year-on-year, to ¥1,418.2 billion.

Credit costs decreased ¥99.7 billion compared with the previous fiscal year, mainly due to an improvement in credit quality of resource- and energy-related clients. Net gains on equity securities increased ¥36.6 billion year-on-year, thanks to progress in sales of equity holdings. Non-recurring losses grew year-on-year due to such factors as an increase in cost of retirement benefits, while tax expenses decreased in line with a decline in the tax burden ratio.

Taking all this into account, profits attributable to owners of parent totaled ¥926.4 billion, which represents an approximately 3% year-on-year decrease but exceeds the previously announced target of ¥850.0 billion.

Looking at profits attributable to owners of parent by subsidiary and affiliate, Bank of Tokyo-Mitsubishi UFJ (hereafter "the Bank"), Mitsubishi UFJ Trust and Banking (hereafter "the Trust Bank") and Mitsubishi UFJ Securities Holdings (hereafter "the Securities Business-HD") all saw positive results. However, both Mitsubishi UFJ NICOS (hereafter "NICOS") and ACOM posted a loss due to the recording of provisions of allowance for excess interest repayment. Even though the loss posted by NICOS was up year-on-year due to recording of structural reform-related expenses and reversal of deferred tax assets, we remain steadfast in our commitment to grow this subsidiary into a core operating company of the group as a payment platform. We consider this a crucial step in assuring our readiness for future popularization of cashless and digital economies.
Overseas, MUFG Union Bank, N.A. and other U.S. subsidiaries supervised by MUFG Americas Holdings Corporation (hereafter "the Americas HD"), an intermediate holding company, as well as Bank of Ayudhya (hereafter "Krungsri") in Thailand, enjoyed profit growth. In addition, Morgan Stanley—approximately 23% of whose equity stake is held by MUFG— contributed to our profits attributable to owners of parent as an equity-method investee.

Breakdown of Profits Attributable to Owners of Parent*



* The above figures take into consideration the percentage holding in each subsidiary and equity method investee (after-tax basis)

Fiscal 2017 Outlook and Progress in the Medium-Term Business Plan

The operating environment is expected to remain tough in fiscal 2017 due to such factors as the prolonged ultra-low interest rate environment in Japan, a situation we anticipate will keep net operating profits weak. Nevertheless, we will aim for a 3% or so year-on-year improvement in profits attributable to owners of the parent to around ¥950.0 billion by, for example, pushing forward with sales of equity holdings and increasing earnings from overseas subsidiaries and affiliates.
As it embarks on the final year of the current medium-term business plan, MUFG is pursuing multiple financial targets representing its growth, profitability and financial strength. Given annual operating results under the plan to date and the targets for fiscal 2017, we clearly need to redouble our efforts to achieve financial targets for growth (EPS) and profitability (ROE and Expenses Ratio), even though it seems quite likely that we will achieve our target for financial strength (the Common Equity Tier 1 Capital Ratio—the most important indicator representing the soundness of financial institutions).

As our CEO, Mr. Nobuyuki Hirano, describes in his message appearing earlier in this report, the operating environment surrounding MUFG has become even harder than that which existed at the time we announced the current medium-term business plan. Today, our mainstay commercial banking business, which has long been relying on net interest income from domestic operations, is exposed to structural and prolonged trend toward profit decrease. Moreover, it will be hard for us to continue to increase risk weighted assets by more than 10% annually for our overseas credit business that has in recent years enjoyed rising profits, due to regulations requiring us to secure foreign currency liquidity and external credit ratings.

On the expense side, for the time being we expect to see a steady rise in expenses for financial regulatory compliance purposes, especially those of countries overseas. In addition, rapid advance of digital innovation and emergence of FinTech startups will bring drastic changes in the operating environment that will make the financial-services arena more competitive.

The Establishment of the MUFG Re-Imagining Strategy

Taking these circumstances into consideration, we established and announced the MUFG Re-Imagining Strategy, aimed at realizing sustainable growth for the Group through execution of approximately 70 concrete measures. Should the strategy be successfully implemented through fiscal 2023 – the final year of a medium-term business plan slated to take over from the next medium-term business plan – the effect of these measures on profitability will total around ¥300 billion. Of this, approximately ¥180 billion will be due to an improvement in annual gross profits, while ¥120 billion will be attributable to cost reductions. (For more details, refer to "the MUFG Re-Imagining Strategy" on page 14.)

We will create the next medium-term business plan starting in April 2018 incorporating the key concepts laid out in the MUFG Re-Imagining Strategy. Even before creating the plan, however, we will accelerate execution of the concrete measures where possible.

Financial Targets of the Medium-Term Business Plan

	Metrics	FY 2015 (Results)	FY 2016 (Results)	FY 2017 (Targets) (Mid-term biz plan)
Growth	EPS (Yen)	¥68.51	¥68.28 (6%) from FY 2014	Increase 15% or more from FY 2014
Profitability	ROE (MUFG definition)*1	7.63%	7.25%	Between 8.5%-9.0%
	Expenses ratio	62.3%	64.6%	Approx. 60%
Financial Strength	Common Equity Tier 1 Capital Ratio (Full implementation)*2	12.1%	11.9%	9.5% or above

*1 For details on calculation methods, please also see descriptions on ROE featured in "Financial Highlights" on page 6.
*2 Calculated on the basis of regulations applied at the end of March 2019

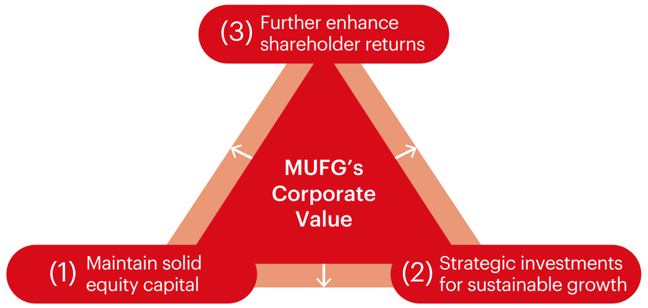
Message from the CFO

Capital Management

Basic Policy (Capital Triangle)

MUFG maintains a focus on capital management that appropriately balances the maintenance of solid equity capital, strategic investments for sustainable growth, and further enhancement of shareholder returns.

Our capital management policies have regularly been discussed as one of our most important management themes by the Board of Directors, which includes a majority of non-executive directors. For example, prior to the final decision on repurchase of our own shares for fiscal 2016 at the Board of Directors meeting, outside directors actively discussed the matter with multiple different views on necessity and amount of the repurchase.



(1) Maintenance of a Solid Capital Base

MUFG has been designated one of the 30 Global Systemically Important Banks (hereafter "G-SIBs") by the Basel Committee on Banking Supervision. At the same time, MUFG is subject to the Basel III capital rules that require financial institutions to ensure the solidity of their capital base.

As of March 31, 2017, MUFG's capital adequacy ratio—the ratio of its core equity capital to its total risk-weighted assets (based on the Common Equity Tier 1 Capital ratio)—was more than 11%, well exceeding the Basel III regulatory minimum capital requirement of 8.5%.

Securing Compliance with "TLAC Requirements"

Regulations on Total Loss Absorbing Capacity (hereafter "TLAC") requirements are expected to be enacted in March 2019 in Japan. These requirements are intended to ensure that such critical functions as settlement and remittance capabilities of a G-SIB will be maintained even if it fails. Drawing lessons from the financial crisis triggered by the bankruptcy of Lehman Brothers, which forced European and the U.S. governments to inject considerable amounts of public funds into failed financial institutions in order to bail out them, the TLAC requirements mandate banking holding companies to retain a certain amount of debt that can absorb losses incurred at their subsidiary banks. Specifically, from March 31, 2022 onward, MUFG is required to maintain the proportion of TLAC in total risk-weighted assets at 18% or greater. (For more details, refer to "Responding to Global Financial Regulation" on page 90.)

In preparation for these upcoming requirements, in February 2016, MUFG became the first financial holding company in Japan to issue TLAC-eligible senior debt registered with the SEC of the United States.

In September 2016, MUFG issued "Green Bonds" targeting investors who prioritize the Environmental, Social and Governance (ESG) aspects of their investees. By doing so, we became the first G-SIB in the world to issue TLAC-eligible bonds that limit usage of the proceeds for renewable energy, including solar, wind and other power generation. We are thus endeavoring to capture an even broader and more diverse investor base, with the aim of solidifying and stabilizing our funding sources. (For more details on Green Bonds, refer to "Environmental Initiatives" on page 49.)

Thanks to these efforts, estimated TLAC ratio of MUFG reached 15.8% (as of March 31, 2017), representing a year-on-year improvement of 0.8 of a percentage point.

The Best Capital Mix

Under Basel III capital rules, financial institutions are allowed to include Additional Tier 1 Capital (e.g., perpetual subordinated debt) and Tier 2 Capital (e.g., subordinated term debt) into their regulatory capital. We aim to combine these debt instruments efficiently in order to pursue what we call the "best capital mix". It is one of my most important missions as CFO to improve ROE—an indicator many shareholders closely monitor—while satisfying regulatory requirements for capital adequacy ratios, by realizing this "best capital mix".

In fiscal 2016 we issued various types of notes to diverse investors in each market as stated below, aiming to achieve an optimal capital structure from a standpoint of balance between capital adequacy and efficiency.

Total Amount of Funding (FY 2016)	
AT1 perpetual subordinated debt	¥400 billion
Tier 2 subordinated debt	¥436 billion
TLAC-eligible senior debt	Approx. Equivalent to ¥1 trillion

(2) Use of Capital to Strengthen Profitability

Strategic investment that employs excess capital is a key driver for achieving sustainable growth, as well as organic growth based on our existing customer base and businesses.

MUFG has been engaged in multiple major strategic investments and M&A projects. For example, MUFG invested in Morgan Stanley while working in tandem with this strategic partner to establish a domestic securities company. We also made a majority investment in Krungsri in Thailand. In October 2016, MUFG acquired a 23.0% equity stake (¥91.4 billion) in Hitachi Capital Corporation, with the aim of enhancing the Group's lease businesses and assisting infrastructure development. In May 2017, MUFG announced its decision to acquire an additional 15% equity stake in NICOS and make it a wholly owned subsidiary, a move aimed at accelerating structural reforms and expanding payment business.

As CFO, I consider capital discipline to be the most important factor when making a strategic investment decision. Prior to making such decisions, we therefore examine carefully whether expected return from the investment will exceed the cost of capital within a certain period of time. We also periodically conduct follow-up monitoring after the investment and are ready to take actions including exit (withdrawal or sale) whenever investees fall short of our criteria for returns.

(3) Further Enhancement of Shareholder Returns

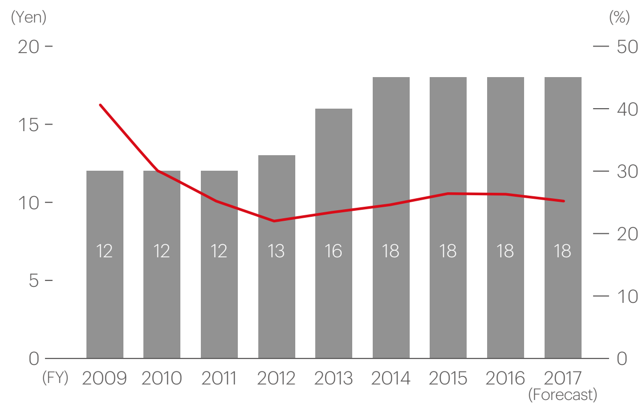
With regard to return to shareholders, we combine (1) payment of cash dividends as a primary measure and (2) repurchase of our own shares as a supplementary measure. The latter is expected to bring benefits to shareholders, as it enhances capital efficiency (ROE) and positively affects share prices in general.

Prior to a final decision on shareholder returns, we engage in discussion based on the "capital triangle" featured on page 28. First, we examine status of our capital base in light of compliance with the relevant capital regulations and maintenance of our external credit ratings. We do this to "Maintain solid equity capital" as indicated at the lower left corner of the triangle. We confirm status of our risk appetite, risk-weighted assets and ongoing internal discussions related to M&A and other strategic growth investments, giving due consideration to the possibilities of "Strategic investments for sustainable growth" as indicated at the lower right corner of the triangle.

Then, we consider "Further enhance shareholder returns" as described at the top of the triangle. Our basic strategy on shareholder returns is to achieve stable and sustainable increase in dividends per share through growth of profits. In fact, MUFG has constantly increased dividends per share since the 2008 worldwide financial crisis. The amount of dividends per share is discussed by the Board of Directors and is set at a level considered reasonable in line with its aim of maintaining a stable stream of dividend payments into the future. (Fiscal 2016 annual dividends were ¥18 per share.)

Finally, we discuss whether or not to engage in repurchase of our own shares. Based on a decision by the Board of Directors, MUFG executed such repurchases on two occasions in 2016, with the value of shares repurchased totaling approximately ¥100 billion for each. This was in part due to absence of an M&A or strategic investment project requiring capital of more than ¥100 billion in the fiscal year under review. These dividends and repurchases together constituted a total shareholder return ratio of 47.9% for fiscal 2016.

Results and Forecasts of Dividend per Common Stock



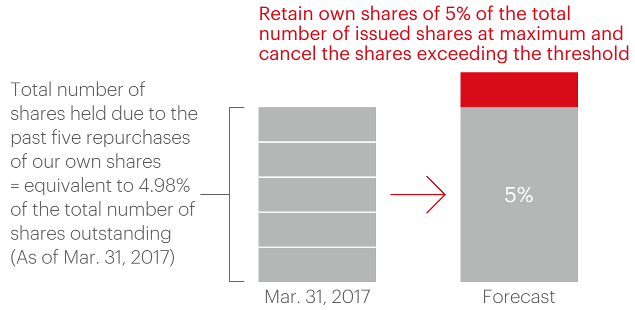
* FY 2011 figures do not include one-time effect of negative goodwill associated with the application of equity method accounting on our investment in Morgan Stanley

(Reference)	FY 2014	FY 2015	FY 2016
Total payout ratio	34.2%	47.2%	47.9%

Establishing a Policy for the Cancellation of Our Own Shares

Previously, MUFG kept all the shares it repurchased in its possession, anticipating that it might need them if, in the future, it should decide to engage in M&A that requires the use of such shares. However, as some shareholders communicated their concerns about the risk of possible stock dilution due to these shares' release into stock markets, we have adopted a new policy of limiting the ratio of treasury stock to the total number of shares outstanding to approximately 5% or less. Accordingly, any treasury stock shares held in excess of this limit will be retired in general.

Conceptual Diagram for the Cancellation of Our Own Shares



Message from the CFO

Positive Effects and Results of the Divestment of Equity Holdings

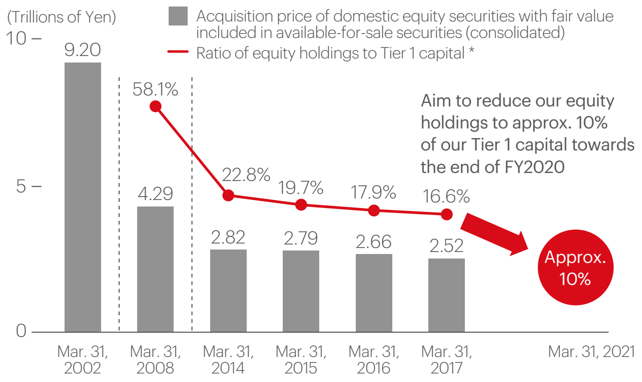
Equity holdings – equities issued by corporate clients of banks and held by the banks –were previously commonplace in Japan. Although in the past such holdings helped companies manage themselves in a stable way and thus supported development of the Japanese economy, MUFG announced a policy of reducing equity holdings in November 2015. Specifically, this policy aims to limit the ratio of equity holdings to the total balance of Tier 1 Capital to approximately 10% by the end of fiscal 2020.

We expect sales of equity holdings to yield multiple positive effects including: (1) Reduction of credit risk (Stock has a higher risk weight compared with loans) (2) Free-up of capital that had been allocated to the risk of equity holdings and improvement of capital efficiency through reallocating the capital for more effective usage. (3) Profits from realizing unrealized gains

Since fiscal 2015, the amount of equity holdings that have been sold totals ¥266.0 billion (based on an acquisition cost basis). Of this, the amount of equity holdings sold during fiscal 2016 amounts to ¥149.0 billion, up ¥32.0 billion compared with the previous fiscal year. In short, our efforts are steadily yielding results. Based on their balance as of March 31, 2017, the ratio of equity holdings to the Tier 1 Capital was down 1.3 percentage points year-on-year.

We will continue to reduce equity holdings with dialogues with our corporate clients to secure their understanding.

Reduction of Equity Holdings



* Under Basel II basis until Mar. 31, 2012 (consolidated)

Initiatives to Ensure Strict Compliance with Tax Regulations

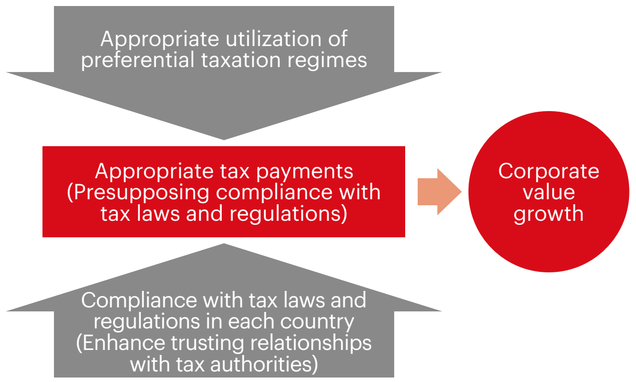
Today, MUFG is a corporate group that boasts approximately 150,000 employees and extends into more than 50 countries around the globe. Accordingly, we recognize that as a corporate citizen it is our duty to exert our best efforts toward maintaining appropriate tax payments at home and abroad.

With this in mind, in April 2017, MUFG established in-house rules on tax compliance so that all Group members can share and act on the same values when applying national and local tax laws, regulations and principles of international tax.

Under these rules, we will abide by the spirit of the BEPS Action Plan* and other principles of international tax, as well as national and local tax laws. Moreover, we will sincerely deal with tax authorities in a cooperative and open manner, enhancing a trusting relationship.

In addition, we will utilize existing preferential taxation regimes and government incentives offered by various countries only where the utilization of such benefits is consistent with the purpose of the relevant tax laws. We will also improve our overall compliance framework to ensure appropriate tax payments. In these ways, we will enhance our corporate value.

* Action plan that aims to prevent and counter Base Erosion and Profit Shifting that was compiled by the Organisation for Economic Co-operation and Development



Dialogue with Shareholders and Investors (Further enhancement of IR/SR activities)

As CFO of MUFG, it is very important to maintain constructive dialogue with stock and bond investors and to continually enhance information disclosure. For MUFG as a financial institution, it is also very important to raise capital and debt from capital markets, so as to comply with financial regulations, maintain our credit ratings and secure foreign-currency liquidity.

From this point of view, in fiscal 2016 we held a special strategic seminar in Tokyo in which Mr. Stephen Cummings, CEO of MUFG Americas Holdings Corporation, presented MUFG's business strategies for the Americas, in addition to regular semi-annual investor meetings for financials. In February 2017, we held our Investors' Day event in which Group Heads of business segments presented each business strategy. Moreover, Mr. Tsutomu Okuda, the Lead Independent Director for MUFG, made a presentation at this event and engaged in direct dialogue with the audience on corporate governance, a topic which investors are highly interested in. (For the main content of question & answer sessions at this event, refer to "Dialogue between Lead Independent Outside Director and Investors" on page 66.)

We are committed to enhancing our IR activities aimed at communicating with fund managers and analysts. In addition, we will also step up our Shareholder Relations (SR) activities and, to this end, facilitate dialogue with those who are in charge of exercising voting rights, including passive ones, on such topics as our governance framework and management policies.

Q&A Sessions with CFO

Frequently asked questions from our investors and answers to the questions

Q1. Balance of overseas loans is increasing. Does MUFG have any issues with regard to foreign currency funding including U.S. dollar?

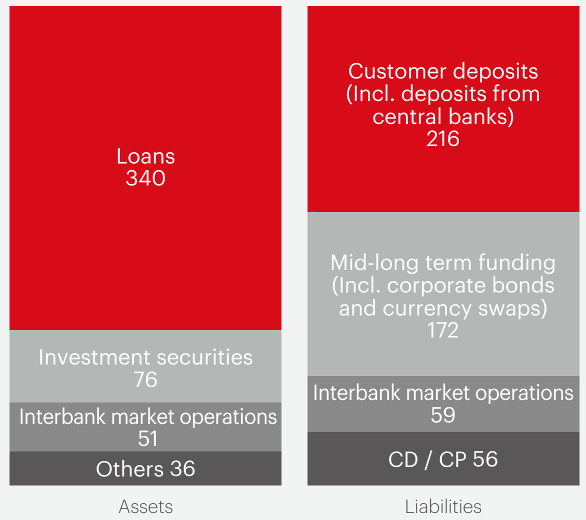
Compared with 10 years ago, MUFG's overseas loan balance has increased approximately threefold to ¥40 trillion. Because of this, MUFG's portfolio of foreign currencies, including the U.S. dollar, is in a state of "over-loan", in which the balance of loans exceeds that of deposits. 60% to 70% of overseas loans booked at the Bank are covered by foreign currency customer deposits. The remainder is covered by mid to long - term funding sources including corporate bonds. In short, the Bank secures stable funding sources to cover all the amount of its overseas loans.

Moreover, MUFG has a Special Purpose Company (SPC) holding U.S. government bonds and other financial instruments that can smoothly be converted into cash, in order to prepare for such emergencies as a sudden deterioration in our funding environment.

Looking ahead, we will strive to maintain a foreign currency funding structure not relaying on short-term cross currency swaps (to convert Japanese yen to U.S. dollars). We will continue to take actions to increase balance of foreign currency deposits and diversify types of mid to long - term bonds.

Non-JPY assets and liabilities (the Bank)

As of Mar. 31, 2017 (Billions of U.S. dollars)



* The Bank's managerial basis excl. MUFG Union Bank, N.A., and Krungsri

Q2. Why doesn't MUFG increase shareholder returns including cash dividends?

For fiscal 2016, MUFG announced full-year cash dividend payment totaling ¥18 per share. This represented a dividend payout ratio (ratio of dividends to earnings per share) of 26.4%. We were able to achieve a total shareholder return ratio of more than 47% including repurchase of our own shares as we did in fiscal 2015, which is at the top level among Japanese banks.

For fiscal 2017, we forecast that annual dividends will amount to ¥18 per share, and we will discuss share buyback strategy based on the "capital triangle" featured on page 28.

In addition, we will consider shareholder return strategies for fiscal 2018 and beyond as one of the most important themes for the next medium-term business plan currently under internal discussion, taking into account the followings.

(1) Finalization of the revised Basel III rules (Revisions may demand an increase in our risk-weighted assets in future.)
(2) MUFG's credit ratings (Currently both core MUFG Group banks are rated A+ (S&P) /A1 (Moody's), commanding a mid-ranking position among their overseas peers. We will strive to maintain or improve our ratings.)
(3) Level of capital adequacy ratios of European and U.S. G-SIBs (Currently the Common Equity Tier 1 Capital ratios of competitor banks are approximately 11% to 12%.)
(4) Forecast for our net income from a medium to long-term perspective (Recording net income constantly at a certain level or higher is a base for stable shareholder returns.)

MUFG's Board of Directors is committed to discussing our shareholder return strategies including cash dividend payment, reflecting feedback from the market and opinions of our shareholders.