

Initiatives for addressing ESG issues

September 19, 2018

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Part 1: Environment & Social	4
1. Initiatives responding to Environmental and Social issues	5
• Priority issues to be addressed	
• Basic policies for Environment & Social, Response to TCFD	
2. Initiatives for environment through finance	15
• Financing of renewable energy projects	
• Financing of coal fired power generation projects	
• Green bond	
Part 2: Governance	25

Part 1: Environment & Social

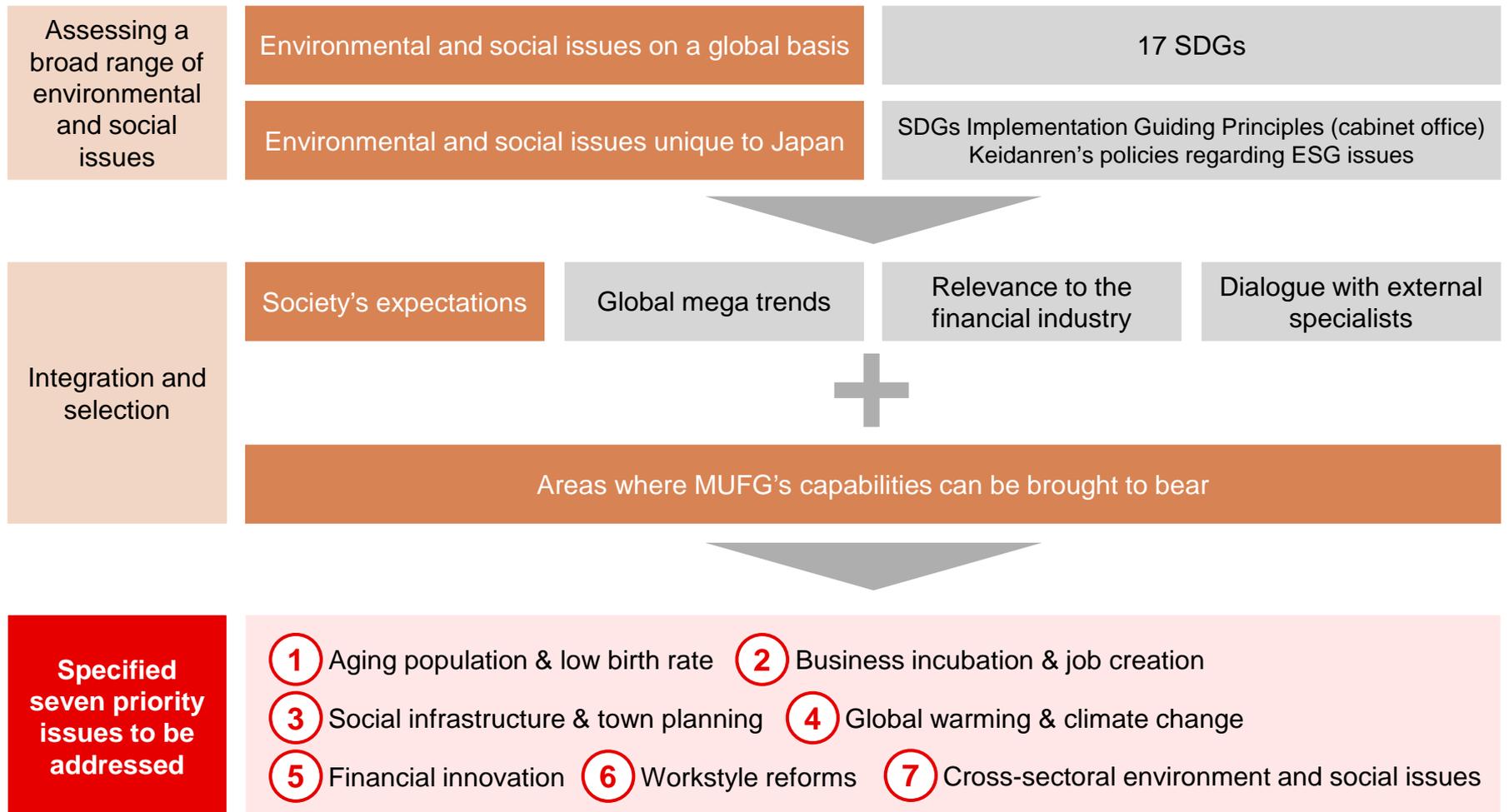
1. Initiatives addressing to environmental and social issues

Priority issues to be addressed

Basic policies for environment & social, Response to TCFD

Priority E/S issues to be addressed

- Specified seven priority E/S issues to be addressed aiming to help resolve environmental and social issues through business activities and to secure sustainable growth



Major initiatives responding to E/S issues

- Identified seven issues from the point of “expectation from society” and “affinity of business segment”. Each business group promotes initiatives while incorporating into their business group strategy

Priority issues MUFG must address	E/S issues-based business initiatives (e.g.)	Business group
<p>1 Aging population & low birth rate</p>  	<ul style="list-style-type: none"> Support personal financial asset building and succession (Dollar-Cost Averaging NISA, etc.) <u>Investment education: help improve financial literacy on a multigenerational basis</u> 	<p>R&C JCIB</p> <p>AM/IS</p>
<p>2 Business incubation & job creation</p> 	<ul style="list-style-type: none"> <u>Expand business with venture corporations</u> Microfinance through KS*1 and its subsidiaries 	<p>R&C JCIB</p> <p>GCB</p>
<p>3 Social infrastructure & town planning</p>  	<ul style="list-style-type: none"> Support regional economic revitalization via the Tourism Activation Fund Promote global infrastructure business in collaboration with clients and group Cos. (JII*2/MUL*3) 	<p>JCIB GCIB</p>
<p>4 Global warming & climate change</p>  	<ul style="list-style-type: none"> <u>Stronger focus on environmental financing in the renewable energy industry</u> Expand our consulting business for tackling climate change 	<p>R&C JCIB GCIB</p>
<p>5 Financial innovation</p>  	<ul style="list-style-type: none"> Provide advanced financial services (e.g. using blockchain technology & AI) 	<p>R&C JCIB GCIB</p> <p>GCB AM/IS Global Markets</p>
<p>6 Workstyle reforms</p> 	<ul style="list-style-type: none"> <u>Improve productivity through flexible work styles</u> 	<p>R&C JCIB GCIB</p> <p>GCB AM/IS Global Markets</p>
<p>7 Cross-sectoral environment And social issues</p> 	<ul style="list-style-type: none"> <u>Sophisticate the investment chains: enhance our investment activities focused on ESG criteria</u> ESG investment in banking book 	<p>AM/IS Global Markets</p>

*1 KS: Bank of Ayudhya (Krungsri) *2 JII: Japan Infrastructure Initiative *3 MUL: Mitsubishi UFJ Lease & Finance

R&C Retail & Commercial Banking
GCB Global Commercial Banking

JCIB Japanese Corporate & Investment Banking
AM/IS Asset Management & Investor Services

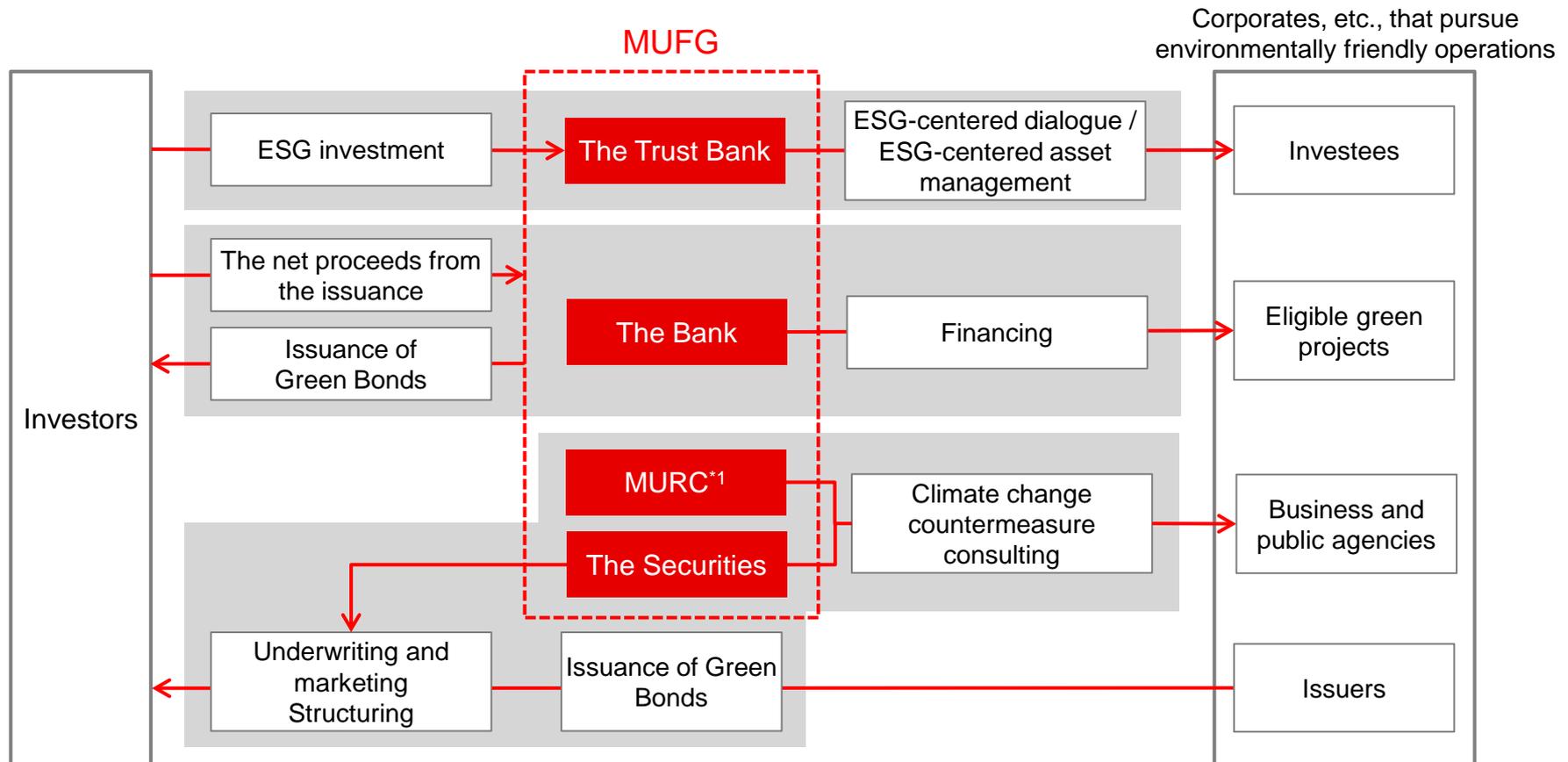
GCIB Global Corporate & Investment Banking
Global Markets Global Markets

E/S issues-based business initiatives (1)

Stronger focus on environmental financing in the renewable energy industry

- Drawing on our solid track record and abundant know-how, MUFG is engaged in initiatives to reduce environmental burdens attributable to human activities and contribute to the realization of environmental social sustainability

Contribution to ESG-oriented investment and financing



*1 Mitsubishi UFJ Research & Consulting

E/S issues-based business initiatives (2)

Expand business with venture corporations

- Aiming to contribute to social development through financing, we provide various services unique to MUFG

Support corporate growth by providing optimal services for each business stage

Startup stage

- Supporting up-and-coming business with growth potential “Rise Up Festa”

4 outstanding companies
6 excellent companies

Number of award-winning corporations included in the fiscal 2017 Rise Up Festa

Growth stage

- Offering smooth financing while creating new business opportunities

Approx. 23,000

The number of business matching cases*1 in fiscal 2017

Maturation stage

- Supporting smooth business succession

Approx. 4,200

The number of corporate clients that received visits by specialist teams during fiscal 2017

Revitalization stage

- Assisting corporate rehabilitation in collaboration with external expert organizations

Approx. 90

The number of in-house specialists*2 in corporate rehabilitation



Award ceremony of the fifth Rise Up Festa



MUFG Digital Accelerator DEMO DAY

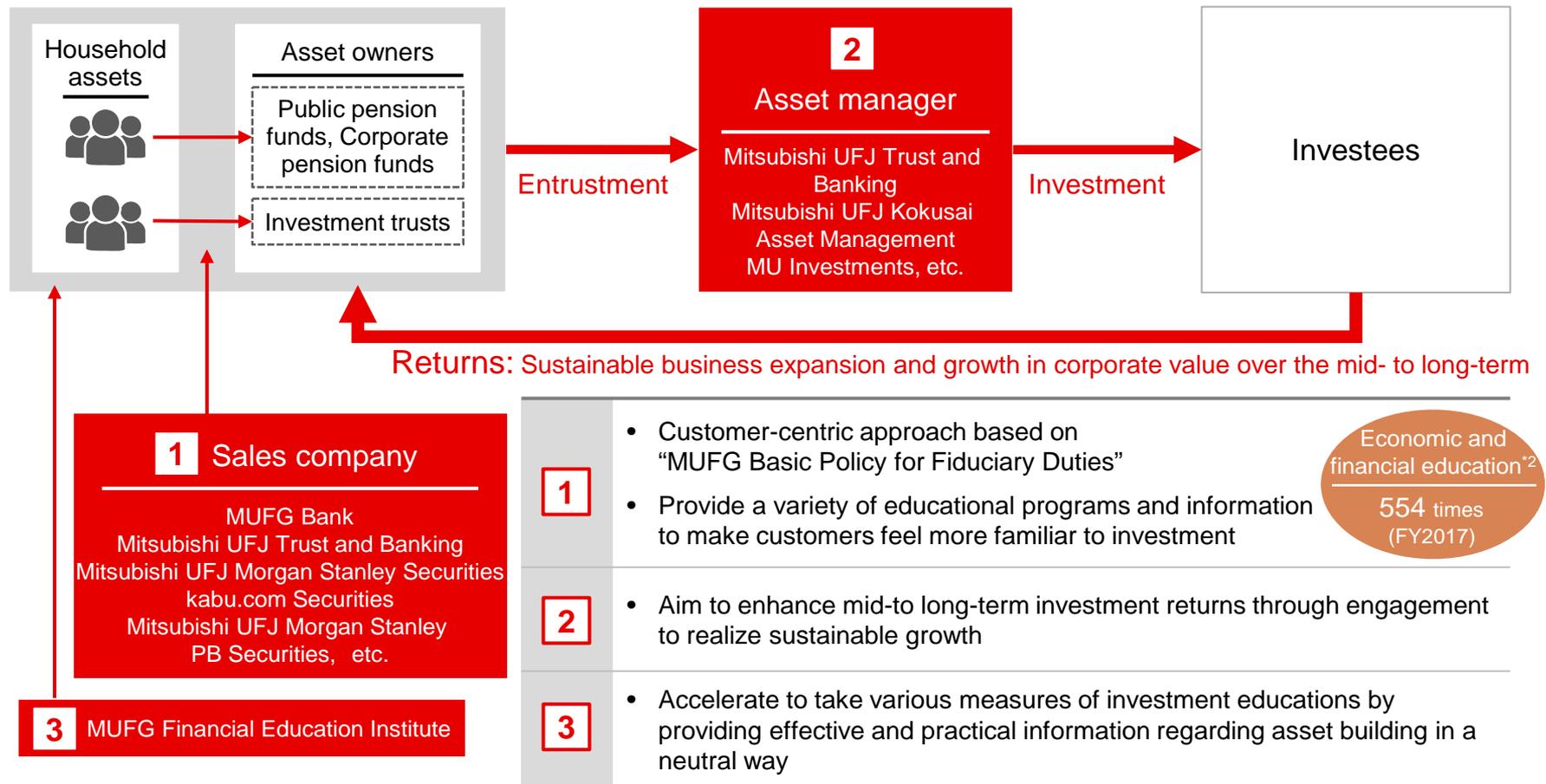
*1 The sum of business matching cases conducted by branches and those established at business matching events held in Japan and overseas

*2 The total number of specialists at domestic headquarters at MUFG Bank

E/S issues-based business initiatives (3)

- For assuring the stable accumulation of household assets and sustainable growth for the economy, MUFG plays an essential roles as “a sales company” and “an asset manager” to sophisticate investment chains. Also established “MUFG Financial Education Institute”^{*1} to strengthen initiatives on investment education.

For building sophisticated investment chains



*1 Established in Aug 2018 *2 Number of occasions in which MUFG staff provided students with economic and financial education. On-demand school lectures and workplace experience programs conducted by staff at MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities, Mitsubishi UFJ NICOS and ACOM

E/S issues-based business initiatives (4)

Improve productivity through flexible work styles

- Promote workstyle improvement and awareness-raising while accelerating diversity & inclusion in order for each employee of 150,000 from over 50 countries to achieve self realization and display their competence

Helping strike a balance between work and child rearing/nursing care

- Support employees on childcare leave with ongoing career development
- Provide consulting services and seminars for employees who face nursing care

of employees on childcare leave*1
 approx. 3,800
 (end of Mar 2018)

Assisting women with career development

- With the improvement of the work environment, opportunities for women to continue and advance their careers steadily increased
- Aim to achieve 24% of female managers' ratio by FY2020

Ratio of female managers*2
 21.0%
 (end of Mar 2018)

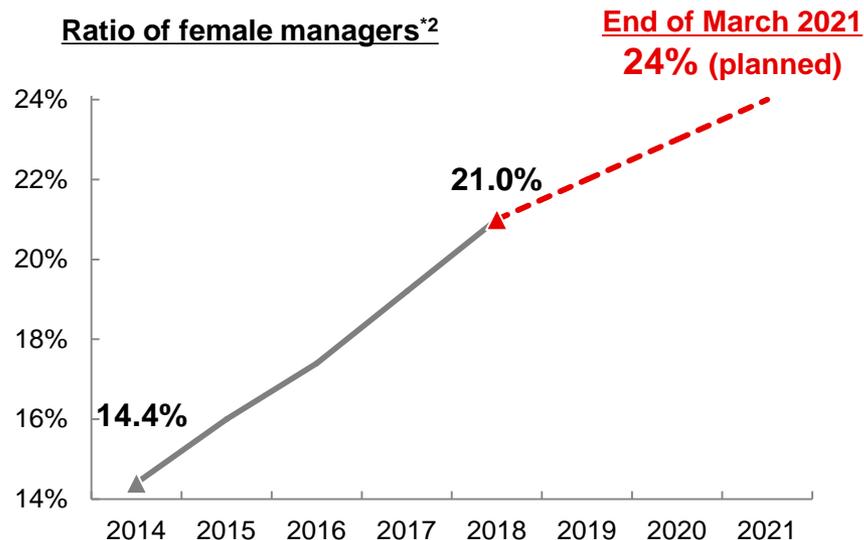
Promoting flexible workstyles

- Promote telework or staggered work shift
- Create an open and inclusive workplace environment such as introducing free-seating, etc.



MUFG Global Diversity Forum (Jul 2017)

Ratio of female managers*2



*1 Total for MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities and Mitsubishi UFJ NICOS

*2 Total for MUFG Bank, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities

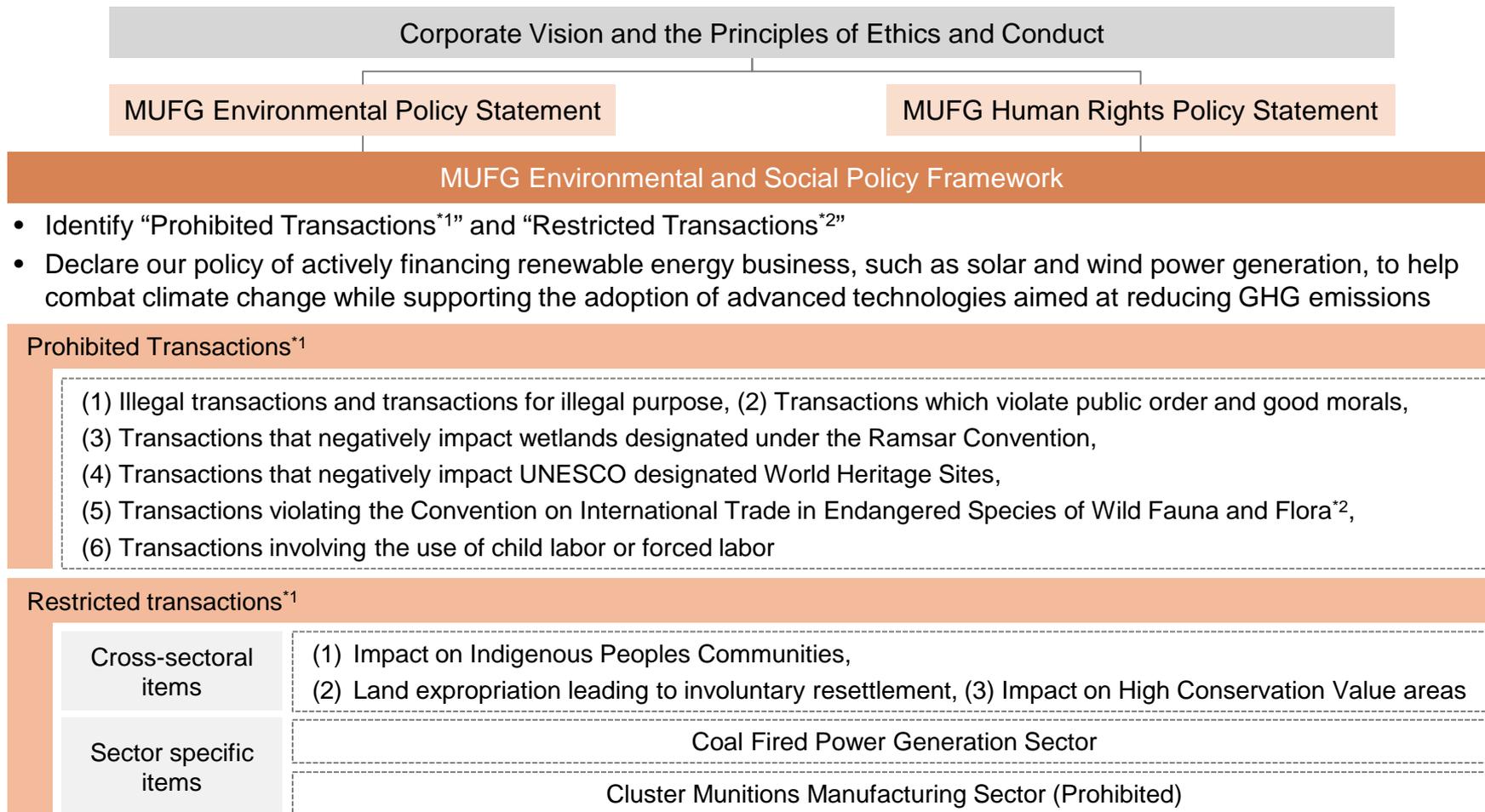
1. Initiatives addressing to environmental and social issues

Priority issues to be addressed

Basic policies for environment & social, Response to TCFD

Basic policies and framework

- Formulated basic policies to contribute to addressing E/S issues through business activities in May 2018
- Established Policy Framework and implemented it from July 2018 to appropriately identify and manage risks to the environment and society associated with business activities



*1 Products and services provided to clients by each group company include the extension of credit and the underwriting of bonds and stocks

*2 Washington Convention

Response to the Task Force on Climate-Related Financial Disclosures (TCFD)

- MUFG supports TCFD as we recognize that we must play an important role in tackling climate change
- Under such recognition, we pursue initiatives on “Governance”, “Strategy”, “Risk management” and “Metrics and Targets”
- Continue to take steady approach aiming to quantify climate-related risks as well as to disclose the target associated with solutions which contribute to reducing CO₂ emissions

MUFG's initiatives		
Items	Recommended disclosure	Status
Governance	Governance around climate-related risks and opportunities	<ul style="list-style-type: none"> • Established MUFG Environmental Policy Statement that includes policies on climate change • The Corporate Social Responsibility Committee under the Executive Committee engages in regular discussions centered on countermeasures to address climate change and other environmental and social issues
Strategy	The actual and potential impacts of climate-related risks and opportunities on businesses, strategy, and financial planning	<ul style="list-style-type: none"> • Identified priority environmental and social issues to be addressed • Promoting and popularizing of renewable energy • Assisting business with the issuance of Green Bonds while itself issuing MUFG Green Bonds
Risk management	The processes used to identify, assess, and manage climate-related risks	<ul style="list-style-type: none"> • Disclosed policies on financing for the coal fired power generation sector • Implementing due diligence based on the Equator Principles • Upgrading risk management by, for example, incorporating external opinions of experts
Metrics and Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities	<ul style="list-style-type: none"> • Disclosed GHG (Greenhouse Gas) emissions by five group companies

2. Initiatives for environment through finance

Financing of renewable energy projects

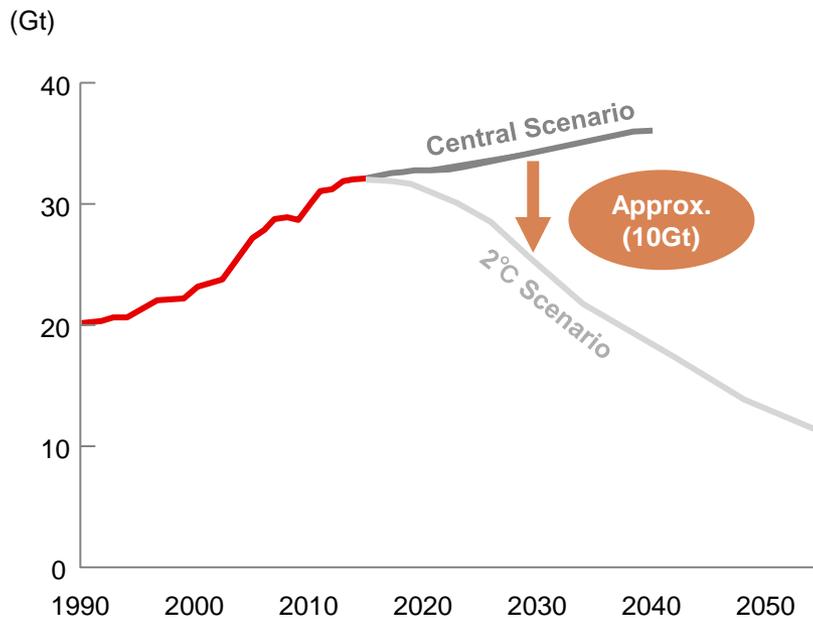
Financing of coal fired power generation projects

Green bond

The Paris Agreement – the 2°C Scenario

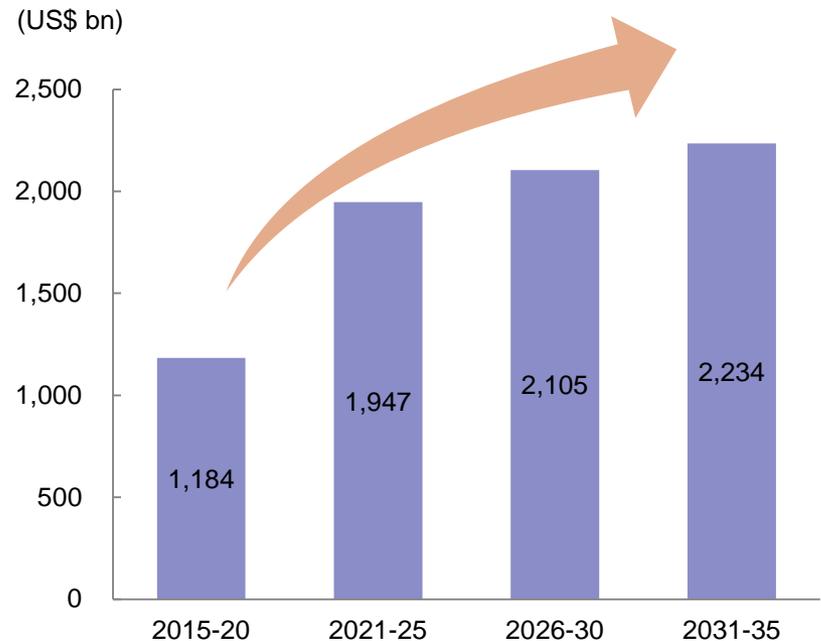
- To realize the 2°C scenario*1 of the Paris Agreement, approx. 10Gt of CO₂ reduction by 2030 is inevitable*2
- The total investment for low-carbonization, such as renewable energy projects, is estimated at US\$7.5tn (¥822tn) by 2035. Main drivers are; 1) governmental support for achieving the Paris Agreement targets, 2) improvement of price competitiveness through progress in renewable technology, and 3) increasing demand in emerging countries

Results and forecasts of world CO₂ emissions



(Source) IEA, OECD

Global investment needs for renewable energy expected in the 2°C Scenario



(Source) IEA, OECD

*1 Scenario to keep global average temperature increase well below 2°C compared to pre-Industrial Revolution era

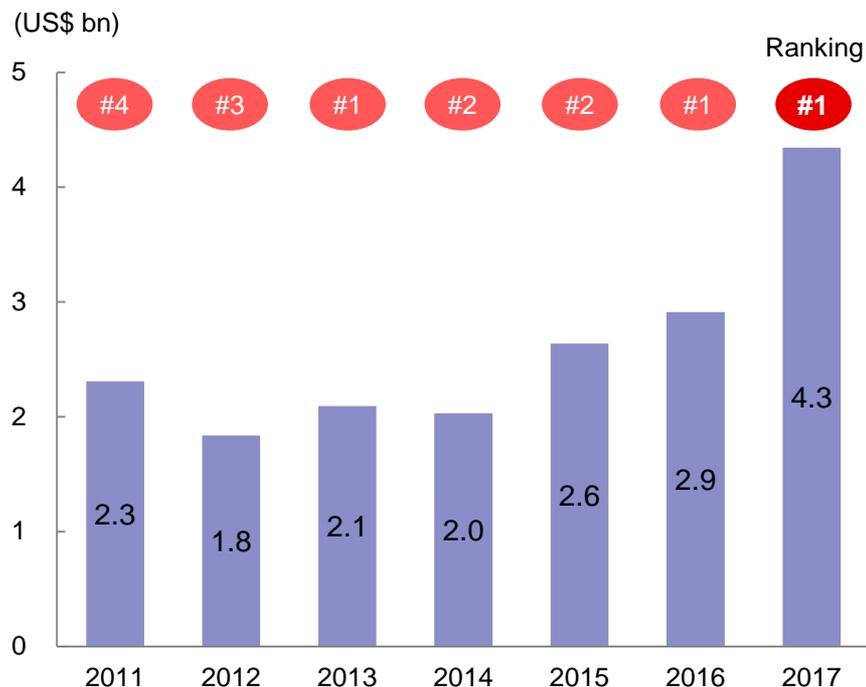
*2 Provisional calculations in IEA World Energy Outlook 2015

*3 OECD estimation based on IEA reports

Financing of renewable energy projects

- MUFG has contributed to the dissemination of renewable energy through acting as a project finance (PF) arranger and lender by leveraging abundant track records, expertise and the extensive network both at home and abroad

MUFG's track record and ranking as a finance arranger*1



(Source) Bloomberg New Energy Finance ASSET FINANCE / Lead arrangers LEAGUE TABLE

*1 Results of PF, etc. in the renewable energy sector

Example 1



- Solar power generation project in Miyazaki Pref.
- Total annual power generation capacity is 96.2MW, equivalent to the annual electricity consumption of 30,000 households

Example 2



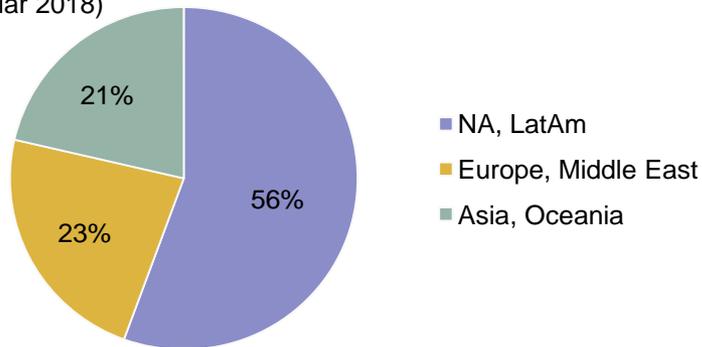
- Syndicated finance for the solar power generation project in the UAE
- The power generation capacity of 1,177 MW is currently the world's largest scale
- Expecting commercial operation in Apr 2019

Financing of renewable energy projects

- PF portfolio for renewable energy is globally diversified
- PF portfolio has grown at CAGR 9.1% over the past four years, while NPL ratio has decreased to 1.4% during the same period

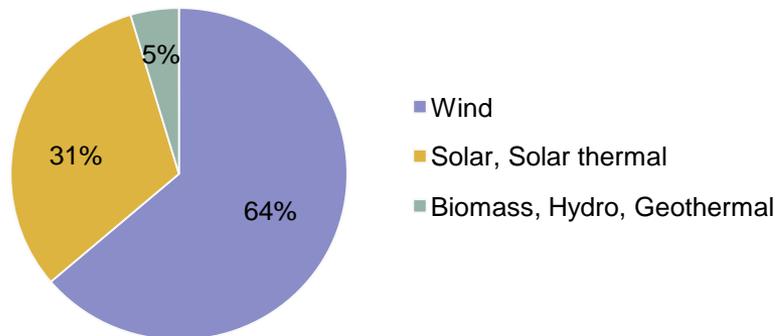
Breakdown by region*1

(As of end Mar 2018)



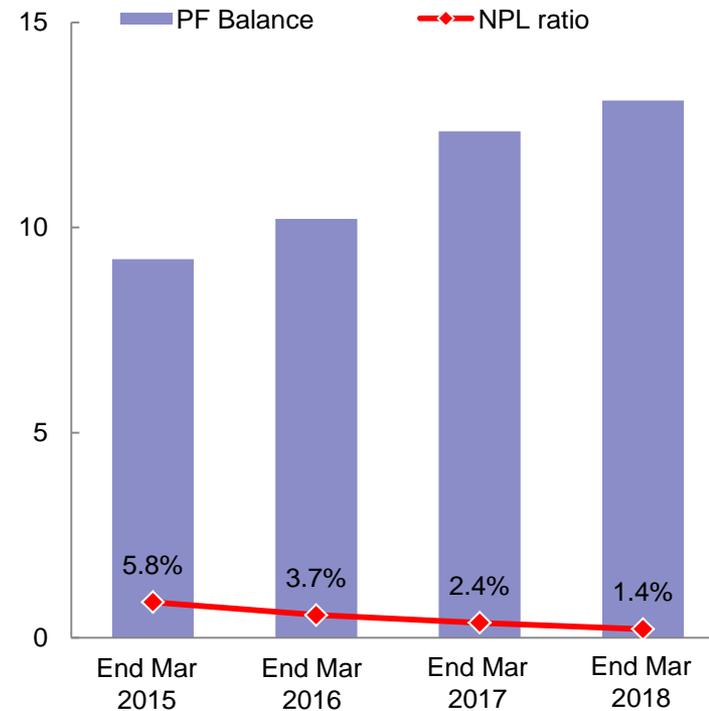
Breakdown by sector*1

(As of end Mar 2018)



Balance of PF for renewable energy and NPL ratio

(US\$ bn)



Note: Figures on this page are the Bank consolidated basis (excl. Krungsri)

*1 PF portfolio for renewable energy

2. Initiatives for environment through finance

Financing of renewable energy projects

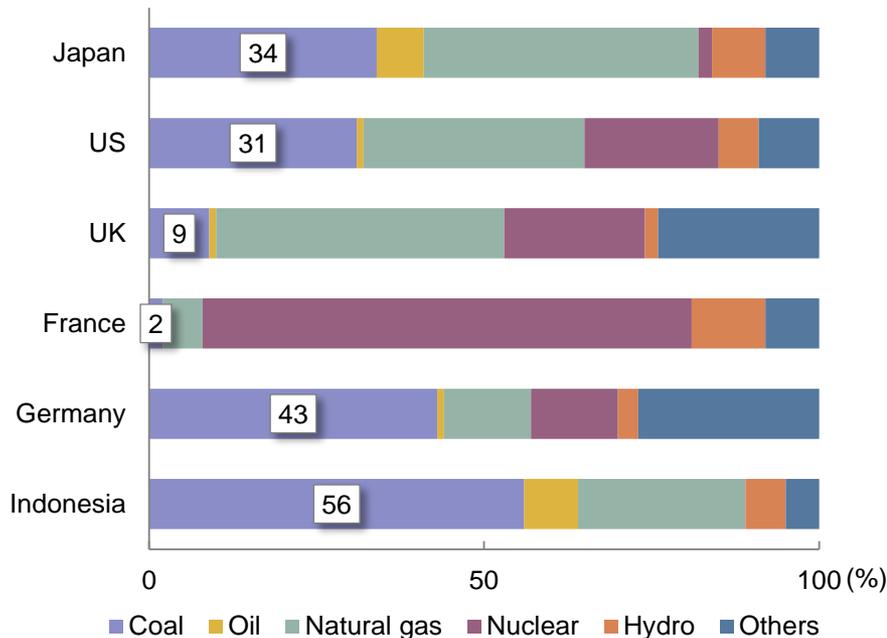
Financing of coal fired power generation projects

Green bond

Financing of coal fired power generation projects – situation in each country

- Natural gas power generation is the most common in Japan, the US and the UK. The share of coal fired power generation in Japan is nearly equal to that of the United States, and far below Germany
- In developing countries, economic growth is prioritized and the use of coal produced in each developing country is often preferred in order to achieve lower costs

Mix of electricity source and characteristic in each country



(Source: IEA 2015)

Japan

- The energy self-sufficiency rate is low, and the Strategic Energy Plan aims to achieve a well-balanced composition of renewable energy, gas-fired, coal-fired and nuclear power by 2030

Developed countries

- Mix of electricity source reflects the priority issues of each country such as safety, energy security assurance, economic efficiency and climate change initiatives
- Mainstay sources are natural gas fired power generation in the US and the UK, nuclear power generation in France and coal fired power generation in Germany

Developing countries

- Economic growth is prioritized and mix of electricity source mainly focuses on achieving lower costs. Measures against climate change are taken simultaneously

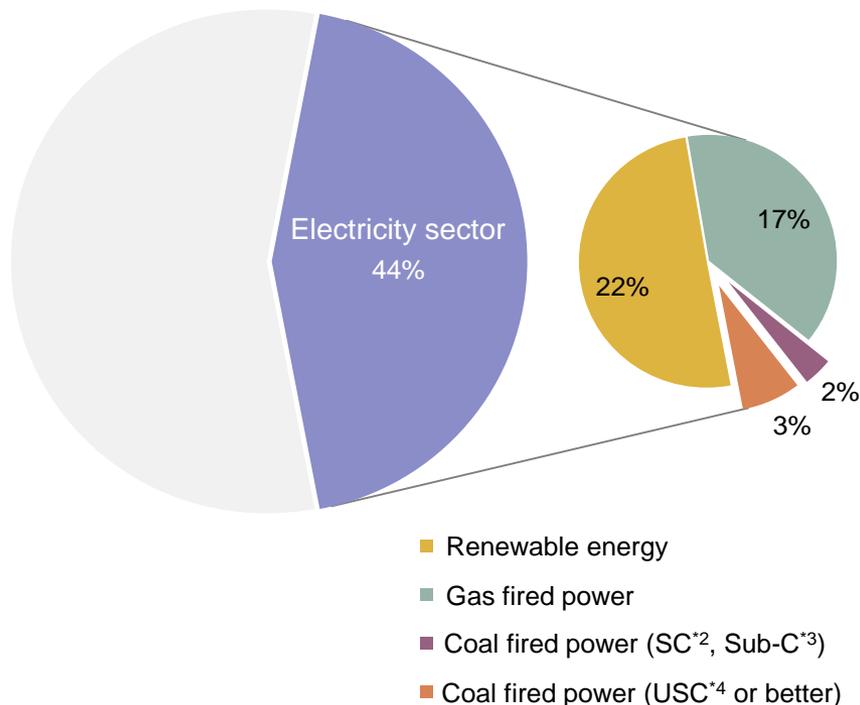
Work on projects that contribute to CO₂ reduction and improvement of power generation efficiency taking full account of circumstances in each country/region

Financing of coal fired power generation projects – MUFG’s initiatives

- Among MUFG’s PF for the electricity sector (44% of the total), renewable energy accounts for the majority. PF for coal fired power generation accounts for 5%, 2% of which are Super-Critical and Sub-Critical with relatively lower efficiency
- To keep up with sophisticated environmental and social needs, MUFG has started to update its "Environmental and Social Policy Framework"

PF portfolio breakdown*1

(As of end Mar 2018)



MUFG’s policy for coal fired power generation

MUFG Environmental and Social Policy Framework (excerpt)

- Support the adoption of advanced technologies for high efficiency power generation which contribute to reducing GHG emissions and Carbon dioxide Capture and Storage (CCS) technologies
- Refer to international guidelines such as OECD Arrangement on Officially Supported Export Credits, when considering the provision of financing for new coal fired power generation. Decisions on financing are made following recognition of both the local and the international circumstances surrounding coal fired power generation

Started to review for further sophistication

*1 the Bank consolidated basis (excl. Krungsri)

*2 Super Critical *3 Sub Critical *4 Ultra Super Critical

2. Initiatives for environment through finance

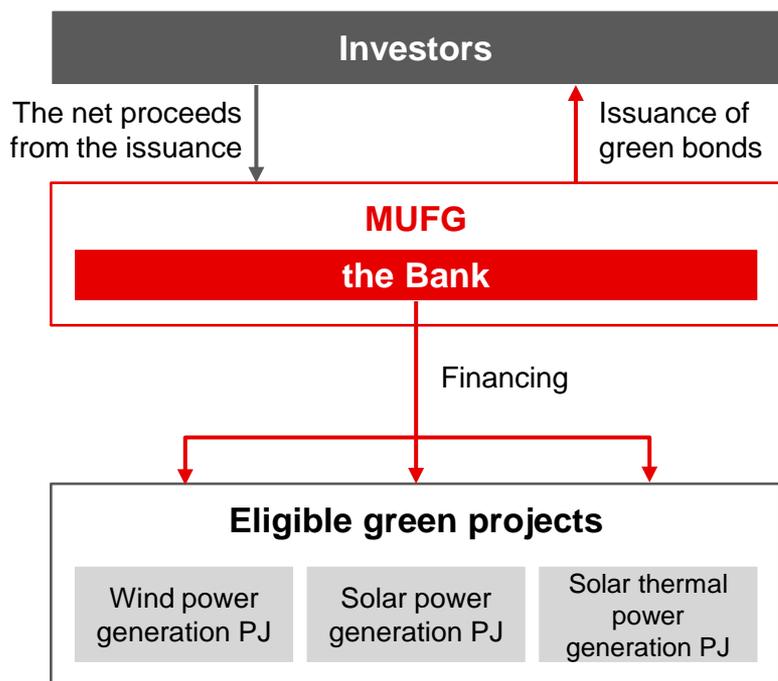
Financing of renewable energy projects

Financing of coal fired power generation projects

Green bond

Green bond – Issuance by MUFG

- In Sep 2016, MUFG issued its inaugural MUFG Green Bonds (\$500m) in conformity with TLAC regulations*1 for the first time among Japanese banks, followed by the issuance of Euro-denominated green bonds (EUR500m) in Jan 2018
- Through the Bank, the proceeds from green bonds are allocated to financing green projects, which have undergone assessment using Equator Principles (EP) for eligibility



Eligible green project (example)

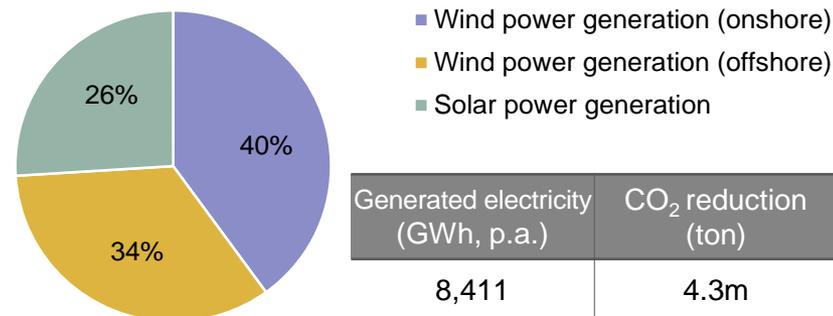


- Offshore wind power generation project in the UK
- MUFG arranged GBP1.3bn of PF
- Total annual power generation capacity is 402MW, equivalent to the annual electricity consumption of about 410,000 households

Allocation of funds and environmental impact*2

Breakdown by sectors

As of end Mar 2018



Generated electricity (GWh, p.a.)	CO ₂ reduction (ton)
8,411	4.3m

*1 Total Loss Absorbing Capacity: A capital regulation applied to G-SIBs

*2 Sum of notes issued in Sep 2016 and Jan 2018

Green bond – Underwriting by MUFG

- Mitsubishi UFJ Morgan Stanley Securities topped in underwriting share ranking (36.6%) in domestic green bond issuing market, thanks to its long and steady engagement in green bond underwriting market since its early days

Rank	Securities firm	# of underwriting	(¥bn)	Share
1	Mitsubishi UFJ Morgan Stanley Securities	31	2,333.1	36.6%
2	Nomura Securities	23	1,061.2	16.6%
3	Daiwa Securities	21	883.4	13.9%
4	Mizuho Securities	22	779.9	12.2%
5	SMBC Nikko Securities	21	765.1	12.0%

Source: Data compiled by Mitsubishi UFJ Morgan Stanley Securities (from Apr 1, 2016 to Aug 31, 2018), based on the cumulative underwritten amount of yen-denominated green bonds etc. (green bond, sustainability bond, social bond)

Part 2: Governance

Outside directors



Outside director
Risk Committee member
Tarisa Watanagase

Former Governor of the Bank of Thailand

Outside director of The Siam Cement Public
Company Limited



Outside director
Risk Committee member
Toby S. Myerson

Lawyer

Former Partner of Paul, Weiss, Rifkind, Wharton & Garrison LLP
Chairman & CEO of Longsight Strategic Advisors LLC
Outside Director of MUFG Americas Holdings Corporation
Outside Director of MUFG Union Bank, N.A.

Strengthening oversight function by outside directors

(Re-shown from page 61, IR Presentation as of Sep 18)

- Decrease the number of directors from 18 to 15, with outside directors being majority, thereby enhancing the quality of discussions undertaken by and the supervisory functions of the Board of Directors

Outside directors		(As of July 31, 2018)					
Name	Current position and responsibilities at the Company	Other Public Co. Boards (#)	Expertise				
			Business Admin.	Finance	Accounting	Law	
1 Hiroshi Kawakami	Reelected Independent Outside director Nominating, Compensation, Audit	1	●	-	-	-	
2 Yuko Kawamoto	Reelected Independent Outside director Nominating, Compensation, Risk (Chair)	0	-	●	-	-	
3 Haruka Matsuyama	Reelected Independent Outside director Nominating, Compensation (Chair)	3	-	-	-	●	
4 Toby S. Myerson	Reelected Independent Outside director Risk	0	-	-	-	●	
5 Tsutomu Okuda	Reelected Independent Outside director Nominating (Chair), Compensation	0	●	-	-	-	
6 Yasushi Shingai	Newly elected Independent Outside director Audit, Risk	1	●	-	●	-	
7 Tarisa Watanagase	Reelected Independent Outside director Risk	1	-	●	-	-	
8 Akira Yamate	Reelected Independent Outside director Audit (Chair)	1	-	-	●	-	

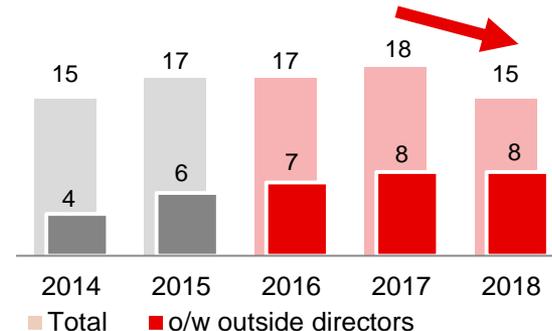
Nominating: Nominating and Governance Committee member
Compensation: Compensation Committee member

Audit: Audit Committee member
Risk: Risk Committee member

Board structure

Numbers of the Board members

Co. with a Board of Corporate Auditors → Co. with Three Committees



Ratio: Independent outside directors

