



# Value Creation Initiatives

Business Overview

Value Creation Initiatives

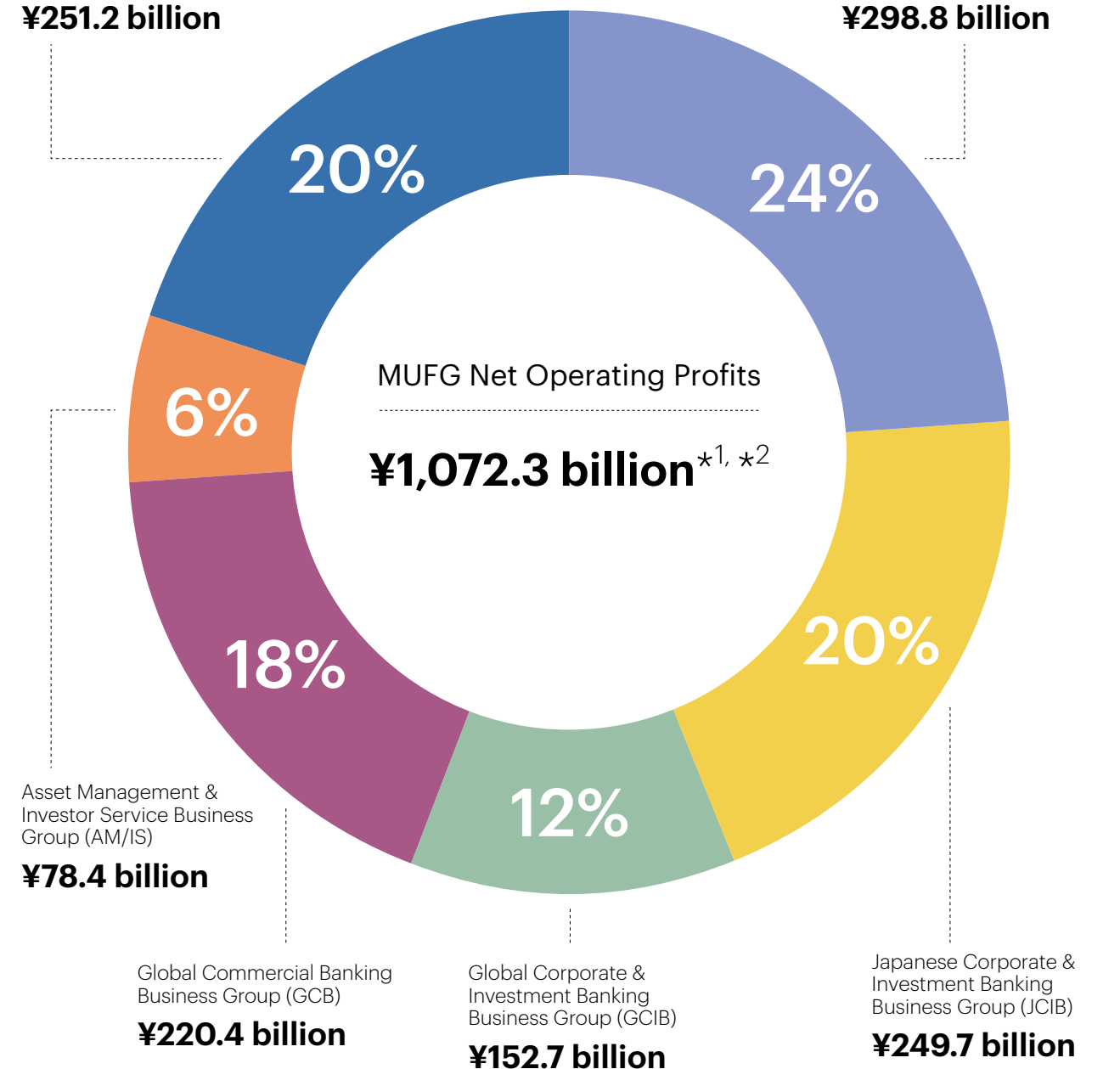
Business Overview

Global Markets Business Group

**¥251.2 billion**

Retail & Commercial Banking Business Group (R&C)

**¥298.8 billion**



All figures presented in the Business Overview section are on a managerial accounting basis. Figures are based on an assumed exchange rate, unless otherwise noted.

<sup>\*1</sup> In addition to the net operating profits of the six business groups, figures include profits or losses of headquarters and other elements. Actual exchange rate (as end of FY2018) basis

<sup>\*2</sup> Figures exclude the net operating profits yielded by inter-business group collaboration presented below

R&C: Profits from overseas transactions with Japanese corporate customers and profits from business owner transactions, which belong to JCIB

JCIB: Profits from business owner transactions, which belong to R&C, and profits from Japanese corporate customers served by MUAH and Krungsri, which belong to GCB

GCIB: Profits from large global corporates of Krungsri, which belongs to GCB, profits from JCIB's large global corporates located in Japan, and Joint Venture profits with Global Markets

GCB: Profits served by MUAH and Krungsri, which belong to other business groups

Global Markets: Joint Venture profits with GCIB

# Retail & Commercial Banking Business Group

Having positioned individual customers and SMEs as targeted customer segments, we provide a range of financial services. To meet diverse customer needs, our services take a groupwide, integrated approach and include lending (e.g., residential mortgage loans), consumer finance and settlement (e.g., card settlement) services as well as those associated with asset management, inheritance and real estate in addition to business and asset succession solutions.



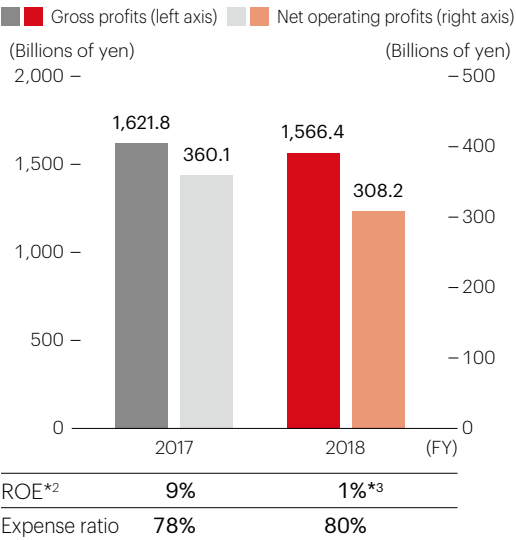
**Naoki Hori**  
Group Head, Retail & Commercial Banking Business Group

We are charged with the majority of the domestic customer segments and thus with supporting MUFG's core operations. In doing so, we aim to be a retail & commercial banking group that boasts unparalleled strengths in Japan and is capable of achieving sustainable growth in tandem with customers and society as a whole. To achieve this aim, we are striving to create a sustainable business model and secure a solid financial base despite an ever tougher operating environment in Japan.

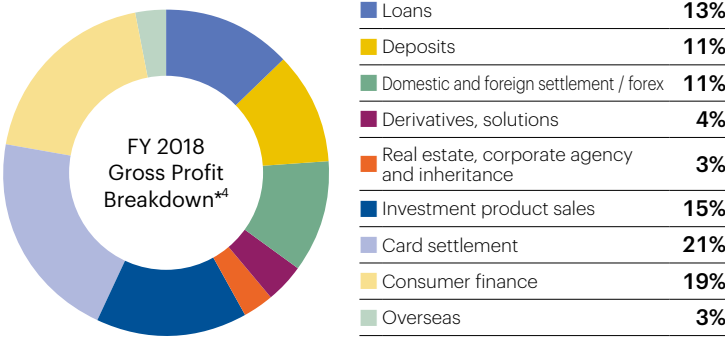
To create a sustainable business model, we will utilize our robust customer base and diverse solution lineups that take advantage of MUFG's capabilities as a group. This will help us reach out to an even broader range of retail customers and corporate clients across the value chain. As for securing a solid financial base, we will shift to a recurring revenue-based business that is resilient against fluctuations in the market environment. Simultaneously, we will exhaustively reform our cost structure. Ultimately, we will build a strong financial base.

We are also determined to take a customer-centric approach based on fiduciary duty and thereby meet diverse needs. In these ways, we will achieve growth in tandem with customers and society as a whole.

## Fiscal Year 2018 Results\*1



We expanded the card settlement and consumer finance businesses while enjoying growth in foreign currency deposit revenues due to U.S. interest rate hikes. However, the asset management business struggled due to unfavorable market conditions. As a result, both gross profits and net operating profits declined year on year.



\*1 Including profits from overseas transactions with Japanese corporate customers and profits from business owner transactions, which belong to JCIB  
\*2 Calculated based on net profits and excludes non-JPY mid- to long-term funding costs  
\*3 ROE excluding the impact of impairment losses on fixed assets of NICOS is 6%  
\*4 Excluding profits or losses from others

## Our Medium- to Long-Term Strategy

### SME Business

In the course of helping SMEs resolve the management issues they are confronting, we will utilize the diverse functions offered by Group companies to provide optimal solutions for SME owners who seek to ensure the smooth succession of their personal assets. We will also draw on our trust banking and securities functions in a way that steps up our services associated with real estate, M&A and IPO in addition to lending. By doing so, we will expand our marketing base.

In addition, we aim to steadily increase the volume of transactions handled through non face-to-face channels. In June 2019, the Bank released MUFG Biz, a comprehensive web-based channel. MUFG Biz is equipped with an easy-to-navigate interface providing financial information and transactional data while distributing news articles tailored to user preferences. Moreover, we extended one-stop funding services to meet small-scale, short-term funding needs via MUFG Biz based on users' transactional histories. Going forward, we will reinforce functions offered through this channel to enhance user convenience and expand transactional volume.

### Retail Business

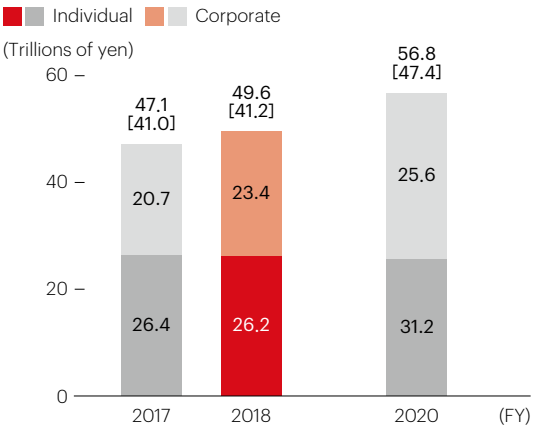
In the asset management business, we are promoting an advisory business model to meet customer needs for stable, medium- to long-term asset building solutions. This approach is expected to lead to an increase in the balance of assets entrusted to us by customers and secure greater recurring revenues, which, in turn, will support a shift to a more stable business model that is resilient against market environment fluctuations.

For retail customers, we will also provide convenient and secure services that are powered by digital technologies and will increase our points of contact with customers. Furthermore, the development of service platforms is now under way as we aim to upgrade our marketing methods and offer services and proposals tailored to meet individual customer needs. For example, MUMSS launched MUFG Terrace in November 2018. This virtual branch enables users to engage in online trading while offering a chatting function that connects them with investment experts if they wish to seek advice.

### MUFG Biz portal



### Balance of Investment Assets\*



\* Including customer assets belonging to JCIB; figures in parentheses represent the balance of assets belonging to R&C

### MUFG Terrace





Voice from the Frontline of the Wealth Management Business

Ensuring the Prosperity of Our Clients by Learning Their Family Histories, Paying Close Attention to Their Needs and Serving Their Best Interests



**Masatoshi Okada**  
Managing Director, Wealth Management Business Division,  
MUFG Bank, Ltd.  
Senior Wealth Advisor (SWA)  
Ph.D (business management)

Fundamental Value of Wealth Management (WM) Services

As a SWA, I am serving founders of listed companies and their family members. Although some of my clients boast asset portfolios built in one lifetime, most are generational asset owners, that is, individuals who have inherited an estate consisting of assets built up over several generations.

I believe that the fundamental value of our WM services is proven each time we successfully act as the client's purchasing agent in ways that reflect a careful assessment of his/her intentions and identify optimal solutions that employ a combination of the diverse functions offered by MUFG Group companies or their external partners. This process requires far more functionality than a mere sales agency service would provide.

Also, we must address a variety of customer concerns, ranging from achieving sustainable corporate development to securing the long-term prosperity of families. Therefore, our services must be diverse and capable of encompassing corporate management and family governance solutions.

MUFG's Strengths and the Challenges It Must Tackle

When it comes to the WM business, I believe that MUFG boasts three strengths. First, it has the Bank, the Trust Bank, MUMSS and other Group companies with diverse functions. This enables MUFG to deliver long-term solutions for issues customers are confronting via an optimal combination of a range of financial products and services. Second, the Company is equipped with strong marketing bases

both in Japan and overseas. Third, MUFG has maintained a trusted brand over long periods thanks to its predecessors. The MUFG brand plays a significant role in the WM business.

On the other hand, MUFG must tackle a number of challenges, including determining how to best coordinate the extensive range of Group company functions. The diversity of these functions transcends the scope of operations traditionally handled by the Bank, the Trust Banks and the Securities Business. MUFG must be capable of providing increasingly diverse financial products, services and solutions in an integrated manner and, to this end, embrace an overarching viewpoint that tailors these offerings to meet customers' needs in step with their life stages. This approach requires strategic management control.\*

Required Traits for SWAs

The situation on the business frontline today is ever more complex. No matter the conditions, SWAs are required to be attentive to what customers feel and think at their major life events and to accurately understand and anticipate their needs. They are also expected to furnish solutions by taking full advantage of MUFG's network, which, we believe, represents the Company's unparalleled strength.

Our customers are also regularly served by other financial institutions at home and abroad as well as by CPAs, tax accountants and other professionals. Accordingly, competitive is intense, demanding an extremely high service level. It is therefore important for SWAs to be equipped with financial service and accounting expertise as well as insights into their customers' businesses. Moreover, they must be knowledgeable about such non-financial factors as the methodology of social contribution, supporting sports-related endeavors and cultural patronage. To this end, they are expected to have an acute interest in and deep understanding of operations managed by customers, their business strategies and their family histories. Therefore, a persistent drive for such knowledge acquisition is an essential trait for SWAs.

I am determined to establish the de facto standard for MUFG's WM business. To achieve this, I will continue to do my best to serve my customers.

\*A method for effectively operating decentralized organizations

Expanding Transactional Channels to Enhance Customer Convenience

Today, the widespread use of smartphones is prompting significant evolution in customer needs regarding banking transactions.

With this in mind, the Bank has developed platforms that offer access to quick and simple transactional procedures that can be completed without waiting in line at a bank counter. For example, the Bank has installed self-service terminals at its branches while distributing smartphone apps with enhanced functions. Apps allow users to file applications for address changes and the re-issuance of cash cards on an around the clock basis. Going forward, we will strive to deliver more convenient internet banking services, thereby increasing the number of service users. At the same time, we will focus on providing high-value-added services, such as asset management consulting, via bank counters.

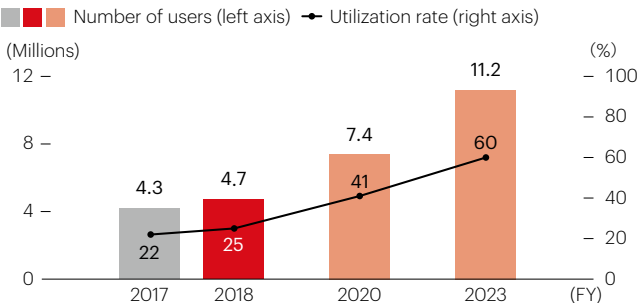
In addition, efforts are now under way to review our branch and ATM networks to better accommodate

customer needs. As part of these efforts, plans call for initiating a mutual arrangement with Sumitomo Mitsui Banking Corporation wherein the two banks will allow each other's account holders to use some of their ATMs\* from September 2019 onward.

To enhance customer convenience, we will continue to expand our transactional channels and service lineups.

\* ATMs installed at unmanned locations, excluding those in bank branches and convenience stores

Number of Mitsubishi UFJ Direct Users and Utilization Rate



How MUFG Addresses ESG Issues

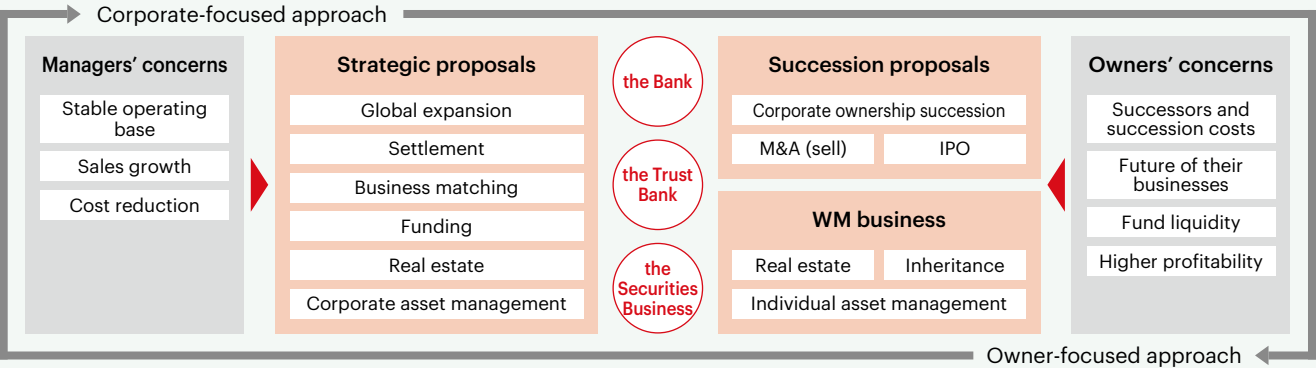
Supporting Smooth Business Succession

Due to the rapid aging of society, a number of domestic SME owners are facing a pressing challenge in the form of a lack of successors. Securing smooth business succession is key to ensuring lasting corporate development. Accordingly, this represents the most important issue in terms of the maintenance, development and vitalization of Japan's industrial sector and its economy as a whole. To help customers address this issue, MUFG offers a diversified solution lineup designed to meet the needs of a broad range of retail customers and corporate clients across the value chain. In July 2018, MUFG entered a business alliance with Nihon M&A Center Inc., a major domestic mediator serving

① Aging population & low birth rate

SMEs. Thanks to this move, MUFG is now capable of delivering solutions to an even broader range of customers.

In the course of meeting customer needs for business strategy and succession assistance, we also employ our unique strengths to offer high-value-added services for business owners who seek to ensure the smooth succession of their personal assets. As a result, in fiscal 2018 we were able to handle successions of businesses and assets valued at more than ¥1 trillion in total. Looking ahead, we will continue to deliver solutions aimed at helping customers enjoy lasting growth and facilitating sustainable social development.



# Japanese Corporate & Investment Banking Business Group (JCIB)

Serving major Japanese corporations seeking to expand globally, we provide loan, settlement, forex and other services while offering optimal solutions that fully employ the strength of each Group entity in their respective fields of specialty associated with M&A and real estate, etc. By doing so, we help our customers achieve growth in their corporate value.



**Kenji Yabuta**  
Group Head, Japanese Corporate & Investment Banking Business Group

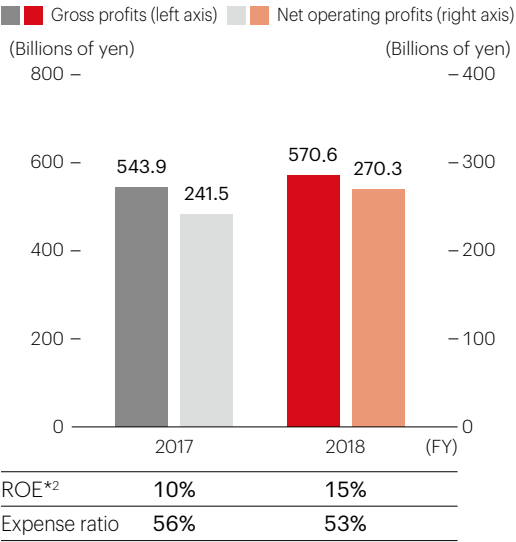
We aim to be the “First Call Business Partner” trusted by customers by assisting them in their pursuit of various business strategies.

To this end, we have integrated the sales functions of the Bank and the Trust Bank while shifting to a cross-regional operational structure supported by business units at home and abroad. These measures have yielded a robust RM/PO model capable of providing one-stop services and delivering optimal solutions backed by a groupwide integrated management approach.

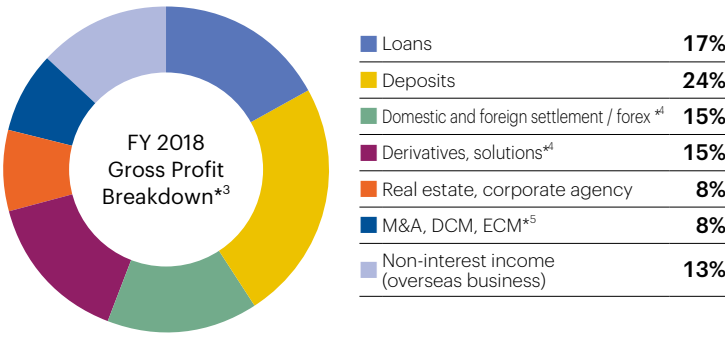
We will strive to increase base revenues from loans, deposits and settlement while reducing gaps between non-JPY deposits and the loan balance. At the same time, we will continue to divest our equity holdings. Through these efforts, we will promote a shift to the origination & distribution (O&D) business as well as a transition to more solid B/S and P/L structures. Moreover, we will strengthen our research & advisory functions to resolve the issues our customers are confronting.

In these ways, we will help strengthen Japan’s business competitiveness and support the country’s economic revitalization while building “New Trust” in the course of serving our customers.

## Fiscal Year 2018 Results\*1



Our fiscal 2018 operating results included an increase in profit. This was thanks to an increase in net interest income recorded in foreign currencies due to growth in non-JPY deposits, rises in U.S. interest rates and improving non-JPY lending spreads, in addition to our strong performance in event finances associated with M&A and project finance.



\*1 Including profits from business owner transactions that belong to R&C and profits from Japanese corporate customers served by MUAH and Krungsri that belong to GCB  
\*2 Calculated based on net profits and excludes non JPY mid- to long-term funding costs  
\*3 Excluding profits or losses from others \*4 Figures are domestic business only \*5 Including real estate securitization, etc.

## Our Medium- to Long-Term Strategy

### Establishing an RM/PO Model via Functional Realignment

Through the integration of corporate loan-related businesses under the Bank and the Trust Bank, we have achieved a functional realignment within the Group and thereby developed a structure for providing customers with more sophisticated solutions. We will enhance educational and training programs for relationship managers (RMs) to help them acquire in-depth insights into each sector. Simultaneously, we will help product officers (POs) enhance their solution proposal capabilities as well as to increase staffing for this function.

### Enhancing Our Solution Proposal Capabilities

Having steadily upgraded our business approach focused on providing solutions to customers’ management issues, we were able to achieve solid results, seizing opportunities to handle major event finance as well as to secure large M&A advisory service projects. We will further enhance our sector-based approach via investment in a venture capital fund specializing in specific industries while strengthening our business nurturing capabilities and advisory functions.

### Strengthening Transaction Banking Businesses

Customers today face an increasingly diverse range of global management issues related to transactions, financing and investment. Thanks to our efforts to enhance our solutions capabilities, transaction volume\* grew steadily, while the balance of non-JPY deposits increased. Going forward, we will adopt a more sophisticated product development process to further enhance our solution capabilities.

\* Domestic foreign exchange transaction amount related to trade, inward and outward investment, dividends, and services, etc.

### Improving Capital Efficiency

We have expanded non-asset businesses by shifting to a cross-regional, groupwide integrated operational structure centered on customer segments. Furthermore, we divested low-profitability assets, thereby securing greater capital efficiency and non-JPY liquidity. Also, we were able to improve non-JPY lending spreads by upgrading pricing management via concerted efforts by business units at home and abroad.

In addition, we made steady progress in the divestment of our equity holdings. We will continue to push ahead with divestment while sincerely engaging in ongoing dialogue with our corporate clients.

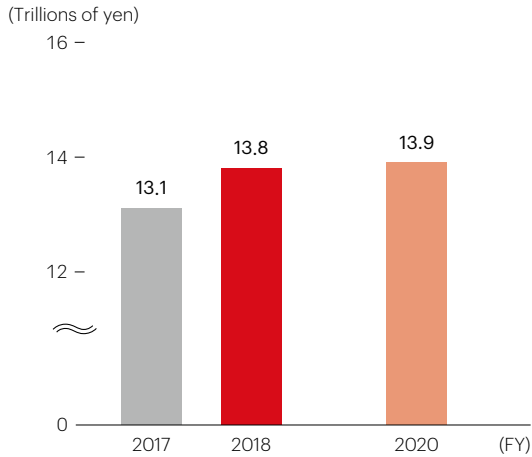
Please refer to page 30 for more details.

### Securities Business League Table\*

	Results		Targets
	FY2017	FY2018	FY2020
M&A (Deals involving Japanese corporations)	2nd	1st	2nd or higher
DCM (Value of bonds underwritten)	1st	2nd	1st
ECM (Value of equities underwritten)	4th	5th	2nd-ranked group

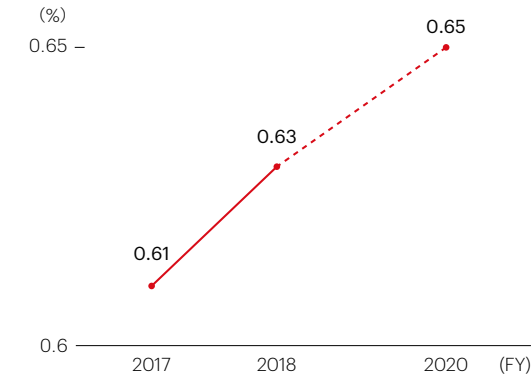
\* Based on data provided by Refinitiv, etc.; DCM includes domestic and foreign bonds

### Average Non-JPY Deposit Balance\*



\* Sum of domestic and overseas loans

### Non-JPY Lending Spreads\*

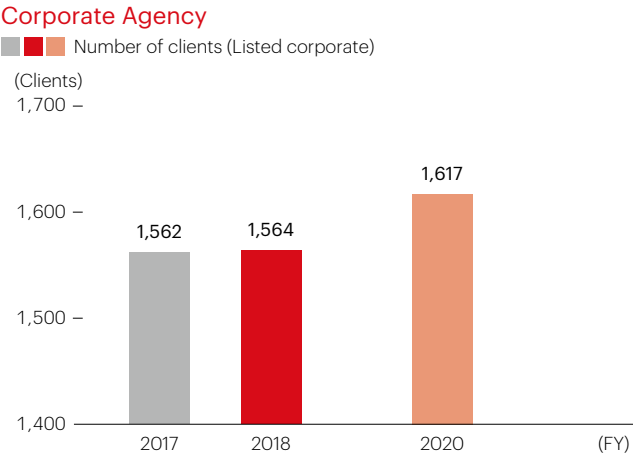


\* Sum of domestic and overseas lending, excluding non-JPY mid- to long-term funding costs

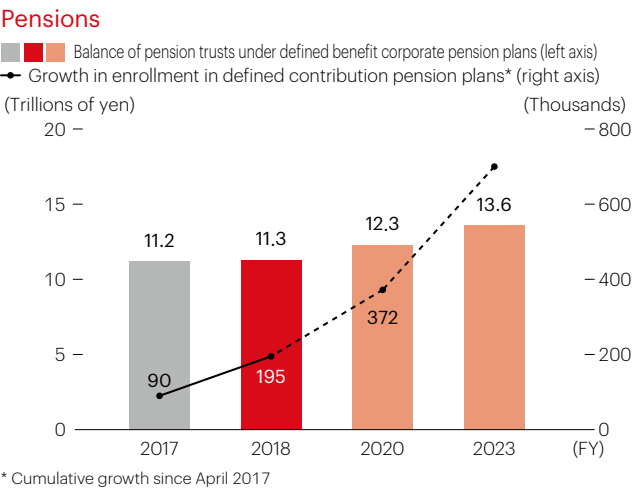
Business Overview

Effects of the RM/PO Model and Progress in Business Initiatives Associated with Real Estate Value Chain

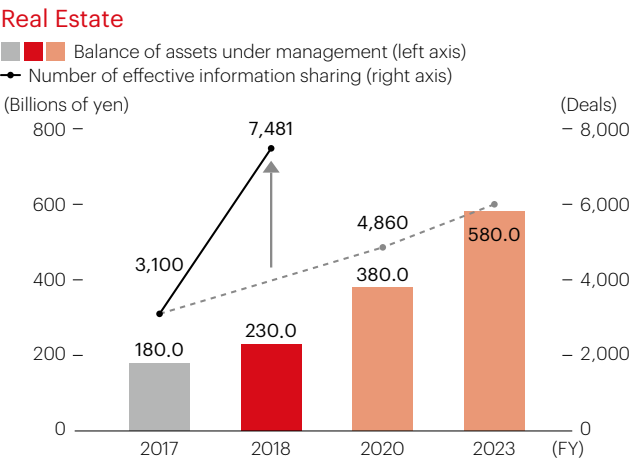
In the corporate agency business, we focused on an approach of initiating discussion with corporate clients to resolve their management issues and thereby successfully expanded the client base. We also drew on our solid relationships with bank customers as we stepped up efforts to reach out to companies seeking to execute IPOs. Not only are we capable of handling share-related administrative services on behalf of our clients, we can also serve as a partner in executing shareholder-relations strategies, for example, performing analyses of their shareholder registries and assisting in strategy formulation. In such ways, we help clients enhance their corporate value.



In the pensions business, we made progress in collaboration between RMs and POs to share marketing strategies tailored to each client, achieving solid results in such areas as retirement benefit trusts, where we secured a number of contracts by exercising our financial strategy proposal capabilities. Bringing together RMs' insights into the financial issues confronting corporate clients and POs' expertise in pensions, we propose overhauls of employee benefit systems from a medium- to long-term perspective. We will also utilize our relationships with clients' HR departments to provide them with various employee benefit system solutions.



In the real estate business, we integrated information pipelines used by the Bank and the Trust Bank. This has led to an uptick in the number of effective information sharing in fiscal 2018 to far more than 4,860, our target for the final year of the Medium-Term Business Plan. We will continue striving to enhance the quantity and quality of information sharing by assessing customer assets more accurately. We will also step up corporate real estate (CRE)-related proposals, with the aim of accelerating the process of materializing deals.



In addition, we plan to begin handling private real estate investment trusts (REITs) by the end of fiscal 2019, thereby strengthening our asset management business.

Establishing a Research & Advisory Unit

In July 2019, the Research & Advisory Unit was established through the consolidation of relevant functions from across our organization. To help corporate clients facing even more diversified and complicated management issues requiring sophisticated solutions, we will concentrate MUFG's expertise and functions and develop a structure capable of offering high-quality advisory services. The unit will employ MUFG's accumulation of insights

into upcoming changes in the social and industrial landscapes as we work with corporate clients by supporting their planning, determination and execution of business strategies.

Also, the Growing Industries Support Office has been established within the unit and is charged with new industry creation and venture business assistance.

Hosting the First Round of MUFG CFO Seminar

In February 2019, the MUFG CFO Seminar was co-hosted by the Bank, the Trust Bank and MUMSS. With a focus on corporate governance, the seminar was attended by CFOs from approximately 300 corporations, with Professor Kunio Ito from Hitotsubashi University delivering a keynote lecture and participating in a dialogue session. Looking ahead, we will periodically host seminars of this kind to address

challenges CFOs are typically confronting, with the aim of providing helpful insights unique to MUFG.



How MUFG Addresses ESG Issues

Assisting a "New Energy Society" in Fukushima

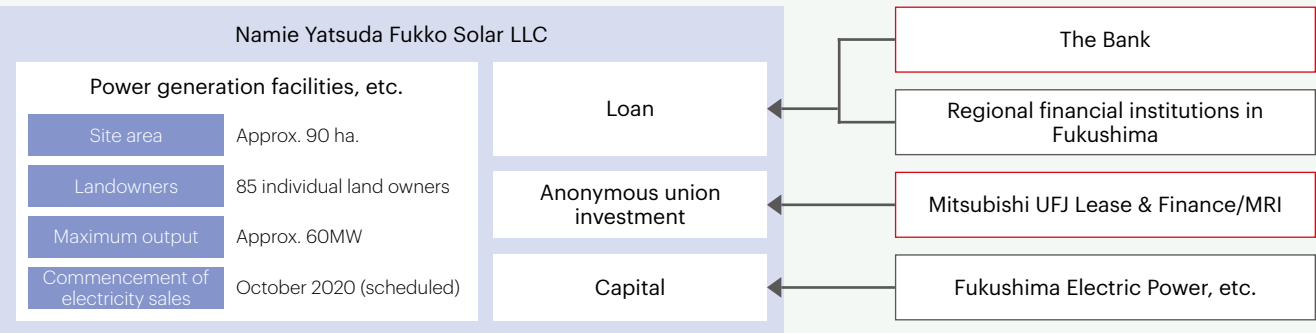
Fukushima Prefecture is home to a number of communities that were heavily hit by the Great East Japan Earthquake. To restore these communities, the prefectural government formulated a vision of a "new energy society" and has been endeavoring to boost renewable energy generation to the point that output from this energy source satisfies more than half of the prefecture's overall power demand.

Recently, the prefectural government approved a proposal put forward by the Bank with regard to the establishment of a solar power generation plant that utilizes a large tract of farmland in Yatsuda, Namie-machi, one of Fukushima's disaster-hit communities. This resulted in the creation of the joint venture with the Bank,

3 Social infrastructure & town planning

Mitsubishi UFJ Lease & Finance and Mitsubishi Research Institute, Inc. (MRI) playing key roles. Leasing approximately 90 hectares of farmland (an area roughly equivalent to the area covered by 19 Tokyo Domes) from 85 local landowners, the joint venture is expected to operate a solar power generation business on the site for 20 years. The company also has a secondary charge of spreading goodwill locally by helping landowners and other community residents interact through community activities like weeding communal property while contributing to regional economies by helping nurture such locally rooted businesses as flower cultivation.

Going forward, MUFG will remain committed to providing multilateral assistance to efforts aimed at restoring disaster-hit communities.





# Global Corporate & Investment Banking Business Group (GCIB)

Global Corporate & Investment Banking Business Group offers services that provide value-added solutions (corporate & investment banking services) for large global corporate and financial institution clients through an integrated business model involving the Bank and the Securities.

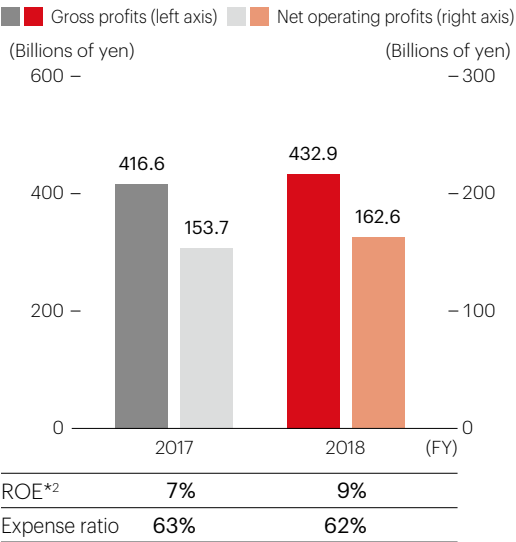


**Masato Miyachi**  
Group Head, Global Corporate & Investment Banking Business Group

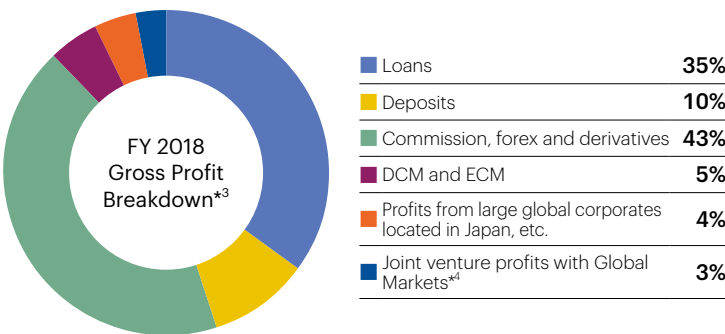
Our vision is to “Become a Top-tier Global Debt House” by providing our global clients with a comprehensive set of solutions that meets their financing needs by leveraging our network and product capabilities.

Amid a challenging business environment due to non-JPY liquidity constraints and increased regulatory costs in various countries, we have to transform our business model from “quantity” to “quality.” To realize this, we are promoting origination & distribution (O&D) on an integrated group basis and accelerating portfolio recycling to improve returns. Furthermore, we are increasing the sophistication of our operations by enhancing non-JPY liquidity management, strengthening expense control and globalizing our organizational framework. With these initiatives, we aim to accelerate the business model transformation continuously to secure stable and sustainable growth.

## Fiscal Year 2018 Results\*1



We expanded non-interest income by pursuing large event finance transactions and promoting the O&D business. At the same time, we improved lending portfolio returns through portfolio recycling, including the reduction of low-profitability assets. As a result, net operating profits increased year on year with an improvement in ROE.



\*1 Including profits from large global corporates of Krungsri that belong to GCB, profits from JCIB's large global corporates located in Japan, and Joint venture profits with Global Markets  
\*2 Calculated based on net profits and excludes non JPY mid- to long-term funding costs \*3 Excluding profits or losses from others  
\*4 Including O&D profits through collaboration with Global Markets

## Our Medium- to Long-Term Strategy

### O&D Promotion on an Integrated Group-basis

We developed an O&D platform connecting institutional investors and corporate clients in need of financing, thereby enhancing asset velocity with an integrated business model involving the Bank and the Securities. With this approach, the distribution ratio steadily grew and exceeded the targeted ratio of 53%, which was set for the final year of the current Medium-Term Business Plan. Looking ahead, we will enhance product capabilities to attract investors and aim to increase non-interest income. Also, we will strengthen our risk management in preparation for the credit cycle shift.

### Developing a Global Client-centric Model

We pursued large event finance transactions by leveraging our sector expertise across the globe and expanded collaborations with partner banks in Asia. Those were examples of the achievements we had by leveraging our unique business model and platform. Focusing on Asia, we aim to promote Global Subsidiary Banking\* with the enhanced framework to further accommodate client needs.

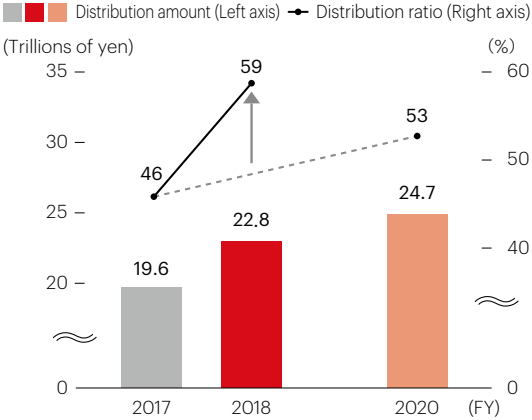
\* A type of banking operation utilizing a global network and providing comprehensive services to the subsidiaries of group companies

### Business Platform to Enable Sustainable Growth

We are reducing low-profitability assets while enhancing disciplined profitability monitoring to improve portfolio returns. In addition, we are promoting deposit taking, with the aim to improve non-JPY loan-to-deposit gaps. Going forward, we will strengthen our non-JPY asset and liability management framework and optimize the allocation of assets to further improve portfolio returns.

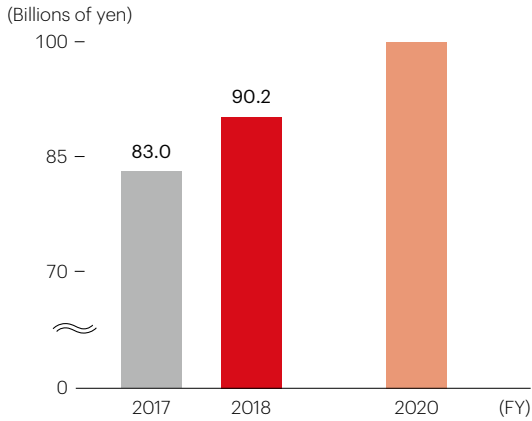
We enhanced our organizational efficiency to improve productivity while tightening our grip on personnel costs in light of the challenging business environment. We also optimized our system investment. We will continuously increase the sophistication of our staff and personnel cost management while taking a flexible and agile approach to cost control.

### Distribution Amount / Ratio\*

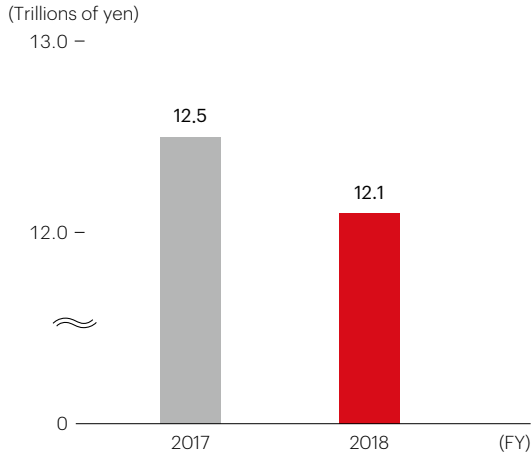


\* Distribution Amount = Arrangement amount - Final hold amount (syndicated loan, project finance, securitization, aviation finance, etc.) + Securities' arrangement amount of DCM, ABS, etc.  
Distribution Ratio = Distribution Amount ÷ Total amount of loans to global large corporate clients

### Global Subsidiary Banking Revenues



### Gaps between Non-JPY Deposits and Loans\*



\* Based on balances at fiscal year-end

## Promoting the Business Model Transformation

We are shifting our business model from “quantity” to “quality” to manage non-JPY funding costs and liquidity constraints.

For example, we are recycling our portfolio to high-profitability assets in growth fields. Specifically, we developed a framework to classify corporate customers based on their profitability and the amount of their profits. Relationships below the profitability threshold are placed under monitoring, and will be regularly reviewed.

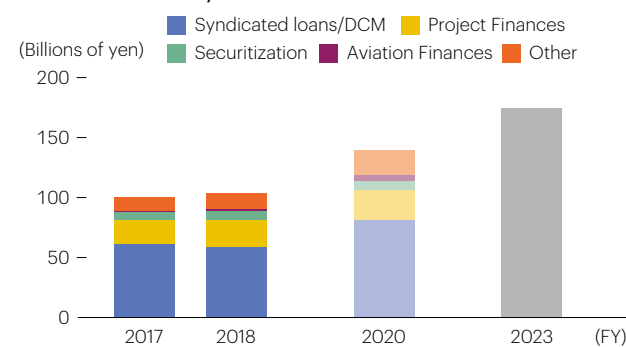
Through this framework, the reduction of low-profitability relationships progressed ahead of the original plan as we exited from transactions with 49 customers and improved profitability for 101 low-profitability customers in FY2018. In addition, we reduced low-profitability assets by ¥800 billion.

Going forward, we will raise our profitability threshold and expand the scope of customers classified as requiring monitoring. By doing so, we will further reduce low-profitability relationships and improve overall portfolio returns. Furthermore, we will strengthen the deal screening framework that is the

gateway for new transactions by implementing more disciplined profitability assessments.

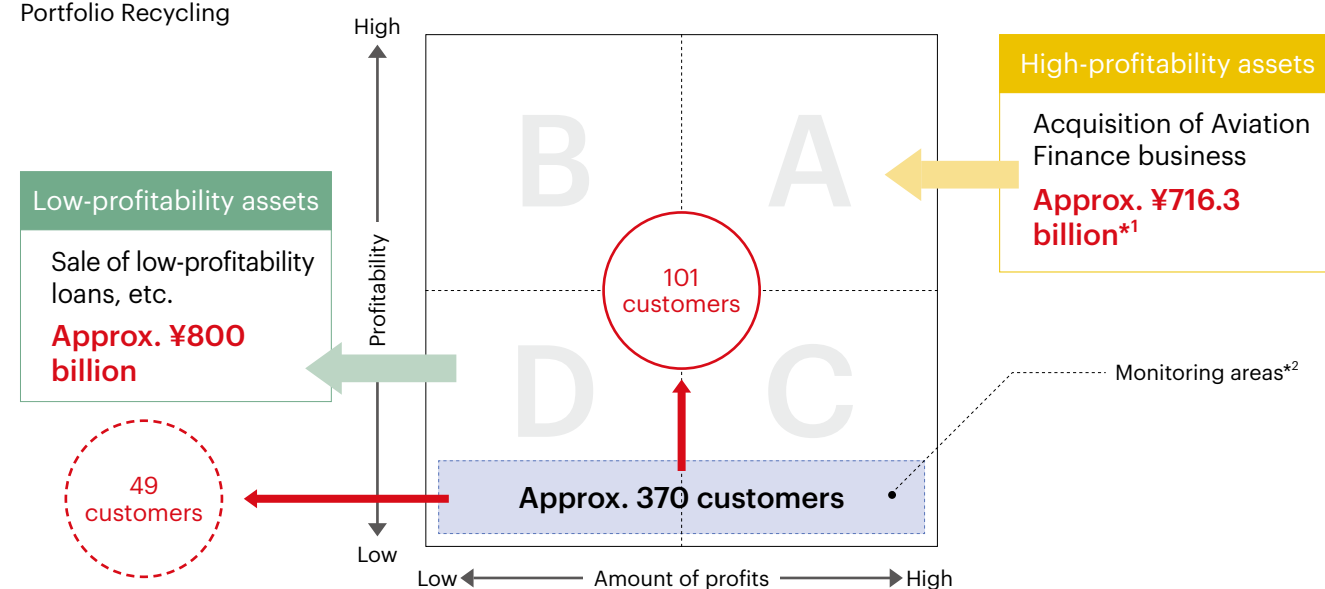
In addition to these efforts, we have decided to acquire an aviation finance-related business from Germany-based DVB Bank SE as a growth driver for the future. This is in line with our strategy of enhancing origination of high-profitability transactions. The accumulation of such assets will also improve MUFG's ability to deliver products that are attractive to investors. With such transactions, we will promote the O&D business, another key initiative for realizing our business model transformation.

### Fee Revenues\* by Product



\* Estimated impact on net operating profits

## Portfolio Recycling



\*1 Client lending portfolio totaling approximately 5.6 billion euro (as of June 30, 2018); calculated by converting 1 euro to ¥127.91

\*2 Customers who do not meet our profitability threshold

## Acquiring the Aviation Finance-Related Business

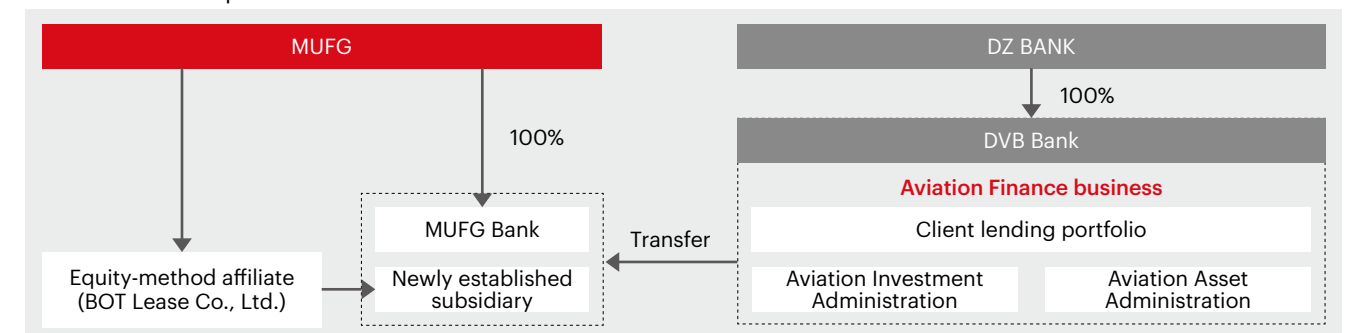
In March 2019, we signed an asset purchase agreement with the Germany-based DVB Bank SE to acquire its aviation finance business.

continue to enhance GCIB's profitability while endeavoring to secure our position among the industry's top players.

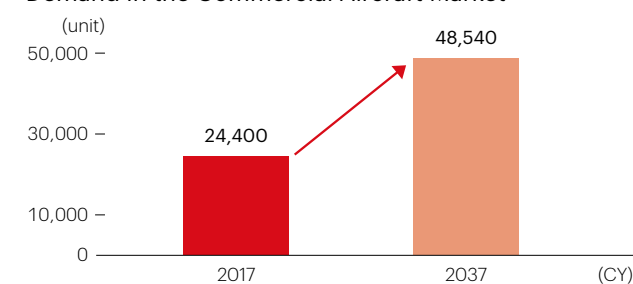


In this transaction, MUFG will acquire lending assets as well as a team of aviation finance professionals who have deep domain expertise for success in this field. In addition to expanding our client base and enhancing our solution capabilities, the acquisition will diversify our portfolio and further promote our O&D business approach. Looking ahead, we will

## Outline of the Acquisition Deal

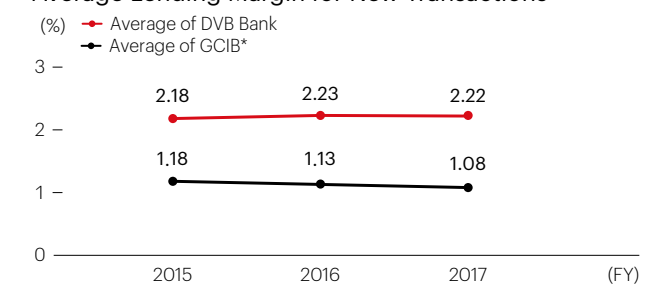


## Demand in the Commercial Aircraft Market



Source: Boeing's Commercial Market Outlook 2018

### Average Lending Margin for New Transactions



\*Based on data compiled for internal managerial purpose  
Source: Annual Report issued by DVB Bank

## How MUFG Addresses ESG Issues

## Supporting Sustainable Financing

Among a number of environmental, social and governance (ESG) issues, we place particular focus on countering global warming and climate change. We are helping clients issue Green Bonds (a type of bonds whose proceeds are used to the project of improving environment). With these efforts, we were ranked the first in the world as a finance arranger in the renewable energy sector for the third consecutive year.

**4** Global warming & climate change   **7** Cross-sectoral environment and social issues 

We will also enhance our capability to provide sustainability-linked loans\* which have been getting focused in recent years as an effective financing for clients' ESG initiatives.

We will be proactively engaged in these financing activities as we aim to work in tandem with our clients to contribute to environmental and social sustainability.

\*Products with interest rates that can be revised based on borrowers' accomplishments vis-à-vis sustainable targets. Please see page 66 for details on these initiatives.

# Global Commercial Banking Business Group

We aim to become a globally trusted financial group selected worldwide by providing financial services to local SMEs and individuals overseas through our existing partner banks such as MUFG Union Bank, Krungsri (Bank of Ayudhya), Bank Danamon, etc.\*

\* Our Business Group is in charge of MUFG Union Bank, Krungsri (Bank of Ayudhya), Bank Danamon, VietinBank, Security Bank, etc.



**Takayoshi Futae**  
Group Head, Global Commercial Banking Business Group

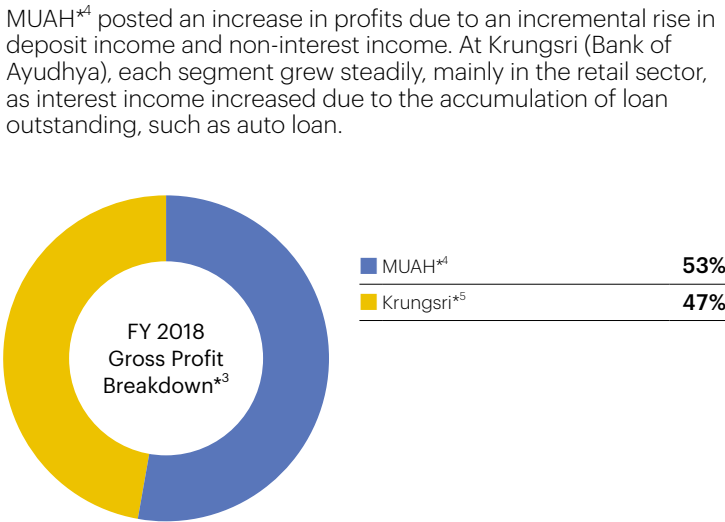
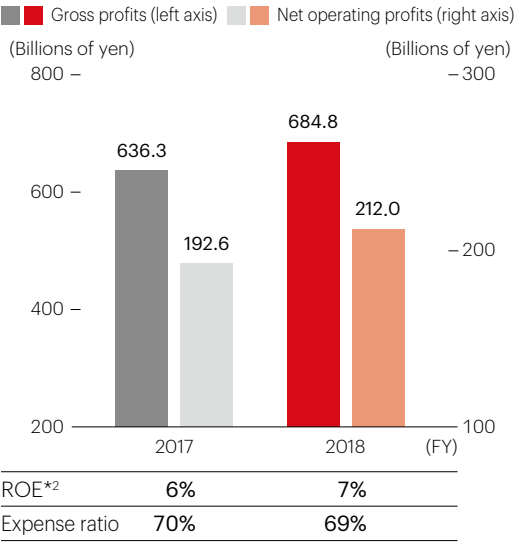
We create "new trust" by providing new value to customers through collaboration with partner banks.

So far, we have regarded Asia as one of our mother markets and have built networks in ASEAN countries by investing in partner banks. In addition, we acquired additional shares in Bank Danamon, an Indonesian commercial bank, to complete our ASEAN-centric overseas commercial banking business platforms. Through this platform, we will be able to provide banking services for SMEs and individuals in overseas markets, that we have not been able to provide to date. At the same time, by combining this platform with MUFG's business with overseas large corporates, we can deliver MUFG's unique services.

As for MUAH, the parent company of MUFG Union Bank, we will review our portfolios and steadily reduce our expense ratio through cost-cutting measures.

Amid changes in the business environment surrounding financial institutions, we will promote collaboration with partner banks and share best practices to increase the value of MUFG and partner banks as a whole.

## Fiscal Year 2018 Results\*1



\*1 Including figures, which belong to GCB only and excluding figures, which belong to other business groups \*2 Based on net profits \*3 Excluding profits or losses from others  
\*4 MUAH's figures as reported in MUAH's 10-Q and 10-K excluding figures belonging to Trust/Securities subsidiaries, GCIB and Global Markets  
\*5 After GAAP adjustment. Excluding figures that belong to Global Markets

## Our Medium- to Long-Term Strategy

### Asia

As ASEAN countries have maintained high GDP growth rates, the countries in which our partner banks are located are expected to achieve further growth.

Krungsri (Bank of Ayudhya) in Thailand, in collaboration with MUFG, has achieved a certain level of results in its business for local corporates in Thailand, which has been a field for strengthening the business, and its profitability has improved. In April 2019, we made an additional investment in Bank Danamon, Indonesia, making it a consolidated subsidiary. VietinBank and Security Bank have also shown results. Going forward, we aim to provide high-value-added services by improving the functions of each partner bank through collaboration and sharing best practices among them.

### United States

MUAH aims for steady growth by capturing the economic growth of the United States, strengthening deposits and loans, and improving productivity. We will work to improve the expense ratio, our challenge, by enhancing operational efficiency and productivity, introducing a next-generation core banking system, and reviewing administrative processes. MUFG Union Bank is also working to improve customer convenience by offering services and developing new products to a wide range of customers through PurePoint\* (direct banking) and other means.

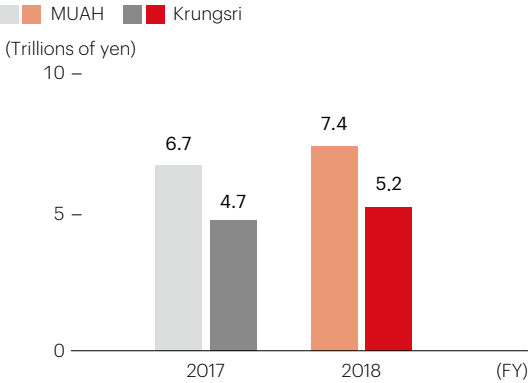
\* MUFG Union Bank's nationwide retail financial services platform, which comprises retail Internet banking and lightening branch

### MUFG's Equity Stake in Partner Banks and Their Domestic Rankings

Partner bank		Voting right*1	Ranking*2
The United States	UnionBank	100%	11
Thailand	krungsri	76.8%	5
Indonesia	Danamon	94.1%	5
Vietnam	VietinBank	19.7%	2
The Philippines	SECURITY BANK	20.0%	7

\*1 As of May 31, 2019  
\*2 The sum of total assets held by each partner bank and loan balances of the Bank's local branches. Krungsri's ranking is based on comparisons with other domestic systemically important banks (D-SIBs) (as of December 2018).  
Sources: SNL Financial, Philippine Central Bank, Bloomberg, data disclosed by each partner bank; the loan balances of the Bank's local branches are based on data compiled for internal managerial purposes

### MUAH\*/Krungsri Average Loan Balances



\* Excluding loans that belong to the Trust Bank, securities subsidiaries, GCIB and Global Markets

## Sharing insight into next-generation digital branches—MUFG Union Bank and Krungsri (Bank of Ayudhya)

In October 2018, Krungsri opened a "Smart Branch" equipped with a digital-intensive branch system designed for future generations. Features of this branch include the installation of a Smart Teller, a newly developed self-service terminal that will take over traditional bank counter services by, for example, enabling customers to complete all procedures necessary to open a new account by themselves.

The Smart Branch was developed by drawing on insights offered by MUFG Union Bank, which successfully created automated Express Banking system.

Going forward, we will help our partner banks share their insights and know-how to promote innovation and enhance customer convenience.



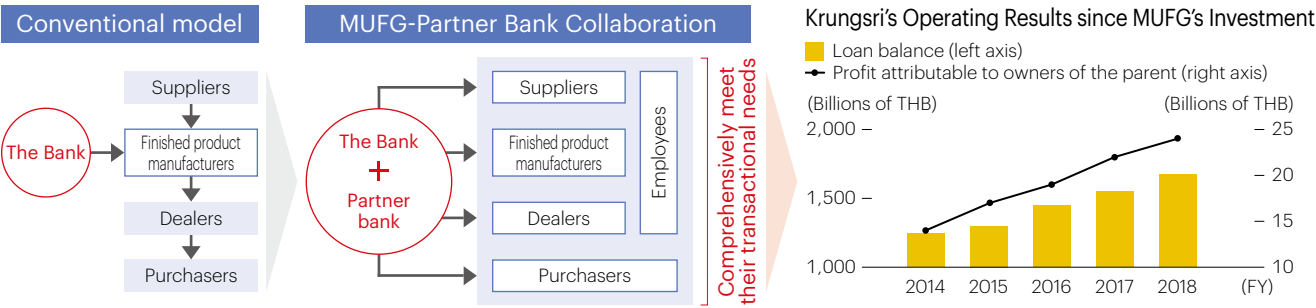


Business Overview

Achieving Synergies through Collaboration with Partner Banks

In ASEAN countries, MUFG’s traditional business mainly involved finished product manufacturers. However, collaboration with partner banks has enabled us to cover a wide range of business channels, from suppliers to SMEs including dealers as well as purchasers and employees. In Thailand,

Krungsri offers this hybrid solution, which is highly regarded by customers as it has led to the steadily growth in business performance. By deploying best practices to other partner banks and realizing synergies, we are further enhancing the corporate value of such partner banks.



Strategic Investment in Bank Danamon

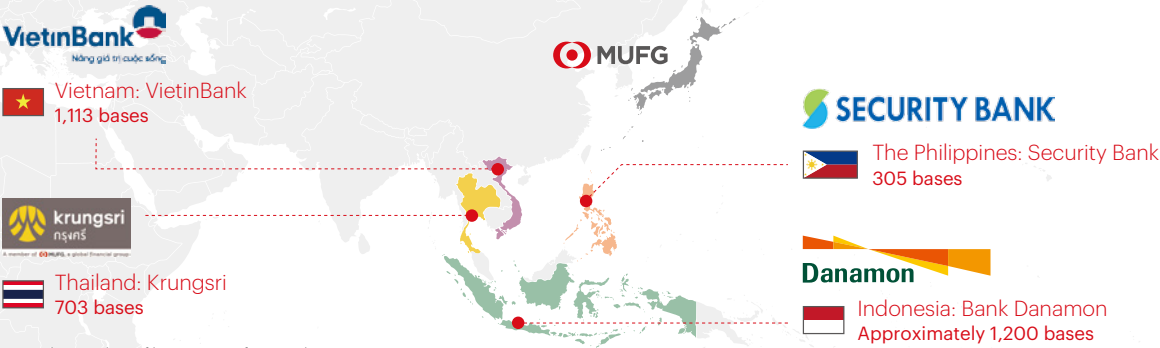
In April 2019, MUFG Bank acquired additional shares in Bank Danamon and made it a consolidated subsidiary. This completed our efforts to build a commercial banking platform serving ASEAN countries. Bank Danamon is a major commercial bank in Indonesia with approximately 1,200 locations throughout the country. The bank has strength in financial services for individuals, including auto loans and residential mortgage loans, as well as SME loans. In recent years, Bank Danamon has been actively involved in the development of digital banking technologies. Moreover, in addition to providing auto loans through its subsidiary, Adira Finance, Bank Danamon provides comprehensive financial products and services, such as financing for consumer goods

and providing insurance products through another subsidiary, Adira Insurance.

Through collaboration with Bank Danamon, MUFG will establish a robust business platform to offer a broad range of services to customers who are seeking to enter and expand into Indonesia and pursuing business growth. In this way, Bank Danamon will contribute to the economic development of Indonesia.



More Than 3,000 Partner Bank Networks in four ASEAN countries



Forging Synergy to Better Serve Customers



**Michellina Laksmi Triwardhany**  
Vice President Director,  
Bank Danamon

With its strong relationship with Japanese and large multinational corporate clients, MUFG is well positioned to complement Bank Danamon’s significant presence in the SME and Consumer Banking segments as well as leadership position in the automotive financing sector through Adira Finance.

Bank Danamon and MUFG can now optimize their synergies to provide comprehensive financial services to customers throughout the whole business ecosystems in Indonesia. Both banks can now collaborate to serve customers’ entire business supply chain, from the anchor itself to its suppliers, distributors, and end users.

This means that customer can now have access to corporate products (especially financial supply chain and syndicated loans), along with consumer products, such as employee benefit programs (savings account, personal loans, auto financing, payroll account).

In its initial stage, this collaboration with MUFG has already resulted in several key achievements, including obtaining several mandates from large global corporate clients. Furthermore, Bank Danamon recently received “Best Service Provider” award in the Supply Chain Indonesia Category from the Asset Magazine during The Asset Asian Award 2019.

Going forward, Bank Danamon can strengthen its Digital capabilities by leveraging the shared knowledge with Krungsri in Thailand, as well as partnership with Fintech players that are part of the investment of Tokyo-based MUFG’s Corporate Venture Capital “MUFG Innovation Partners”.

Bank Danamon will also leverage MUFG and its affiliated banks, not only for business growth, but also for sharing best practices in several areas including Business Development, Finance, Risk Management, Compliance, and Human Capital.

In turn, MUFG and its affiliated banks can benefit from Bank Danamon’s experience in serving the SME and consumer banking segments as well as auto finance.

Together, this synergy will bring better service quality and values that will benefit Bank Danamon’s and MUFG’s customers in Indonesia and positively contribute to the growth of the Indonesian banking sector and economy as a whole.

How MUFG Addresses ESG Issues

**Initiatives for Industrial Development and Employment Creation (Financial Inclusion) through Partner Banks**  
Through our partner banks, GCB is engaged in initiatives to promote financial inclusion in each country and region.

Krungsri (Bank of Ayudhya) in Thailand is responding to microfinance and nano-finance needs through its microfinance subsidiaries Hattha Kaksekar Limited\*1 (hereinafter referred to as HKL) and Ngern TidLor Co., Ltd.\*2 (hereinafter referred to as NTL) in ASEAN countries where economies continue to grow. The number of bank accounts, loans outstanding, and number of branches of both HKL and NTL have increased steadily. In addition, HKL provides community-based financial education to low-to-moderate income individuals and contributes to improving living standards.

Bank Danamon, an Indonesian bank, has developed a digital payment app, “D-Wallet” to provide financial

solutions to individuals who do not have bank accounts. D-Wallet enables those who do not have bank accounts or credit cards to make cashless payments at online shopping or convenience stores through deposits and withdrawals at convenience stores or by receiving funds from other D-Wallet users.

MUFG Union Bank in the United States offers competitive interest rate loans with no private mortgage insurance required to low-to-moderate income homeowners. It also supports homeowners through eligible down payment assistance programs when purchasing homes.

Going forward, we will continue to engage in financial inclusion through various initiatives tailored to each country’s particular environment and needs.

\*1 Krungsri’s microfinance subsidiary based in Cambodia  
\*2 On February 28, 2019, Krungsri decreased its equity stake in NTL from 99.9% to 50.0%

# Asset Management & Investor Services Business Group

Employing our sophisticated specialist know-how in the areas of asset management, investor services, and pensions, we provide such services as consulting while constantly striving to further enhance our asset management capabilities and develop products capable of better meeting diverse needs of customers at home and abroad.

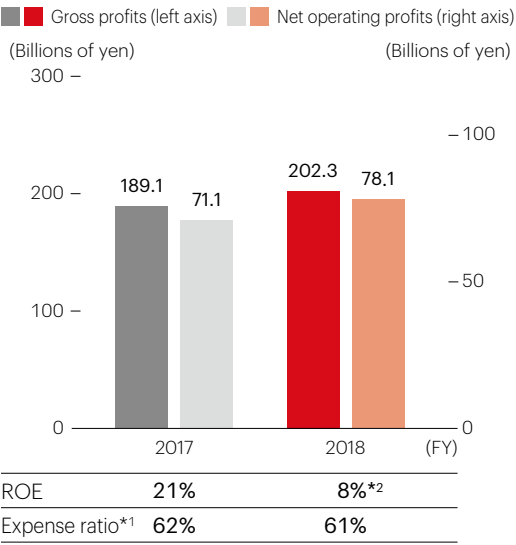


**Sunao Yokokawa**  
Group Head, Asset Management & Investor Services Business Group

Aiming to become a player boasting unparalleled strength in Japan and significant global presence, we are strengthening our business platforms as well as earnings power. To date, we have successfully expanded our business platforms while capturing growth overseas so as to pursue sustainable growth by accurately adapting to the evolving business environment. In the asset management field, we have executed a majority investment for the first time, thereby solidifying our foundations to achieve our target of being among the global top 15 asset managers. In the field of investor services, we are enhancing our service lineup for domestic clients as well as banking services in overseas while striving to improve productivity with the aim of securing greater competitiveness. In the pension business, we provide comprehensive solutions backed by sophisticated expertise in our area of specialty, employing a groupwide integrated approach to help customers address the issues they are facing.

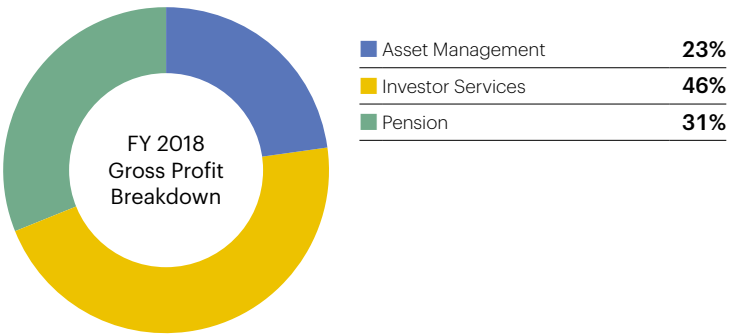
We will strive to live up to customers’ trust and remain their best partner. To this end, all our staff will do their utmost to fulfill their fiduciary duties as asset managers while taking full advantage of their expertise to deliver effective solutions to meet customer needs.

## Fiscal Year 2018 Results



\*1 Based on net profits  
\*2 ROE calculated excluding the impact of losses on sales of Standard Life Aberdeen shares is 18%

We strove to expand the investor services business at home and abroad while steadily increasing sales of investment products for domestic institutional investors. Thanks to these efforts, we achieved year-on-year growth in net operating profits to ¥78.1 billion.



## Our Medium- to Long-Term Strategy

### Asset Management Business

Aiming to become a global player with strong presence, we have strengthened our asset management functions as well as product capabilities while expanding our business scale. For securing competitiveness, we revised our HR system for fund managers. Furthermore, we engaged in the development of alternative products, such as those associated with real estate assets managed by MUFG. Moreover, we made a decision to acquire an Australia-based global asset manager to make it a wholly owned subsidiary.

Striving to realize synergies with the acquired firm, which handles global operations, we will step up our efforts to enhance our service quality and satisfy customer needs.

Please also refer to page 56 for details.

### Investor Services Business

We boast a global ranking among the top 10 firms in terms of the value of alternative funds under administration. As we expect deepening market monopolization, we are focused on not only handling fund administration but also expanding our scope of ancillary banking services, including financing for funds as well as forex and repo transactions.\* These value-added services are helping us steadily raise our balance of assets under administration.

Moreover we will strive to improve productivity utilizing digital technologies, thereby securing profitability.

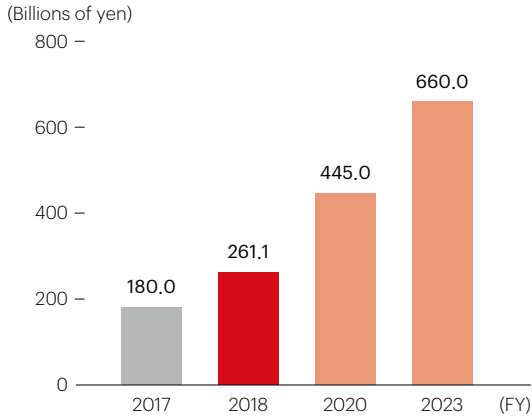
\* A type of transaction involving an agreement to exchange funds and bonds for a certain period of time

### Pensions Business

We offer consulting services aimed at resolving various issues confronting corporate clients’ HR departments, helping them enhance their employee benefit programs through the comprehensive review of HR systems and retirement benefit systems. We have reorganized PO’s structure in order to ensure providing services smoothly. As a result, both the balance of pension trusts under defined benefit pension plans and enrollment in defined contribution pension plans have risen.

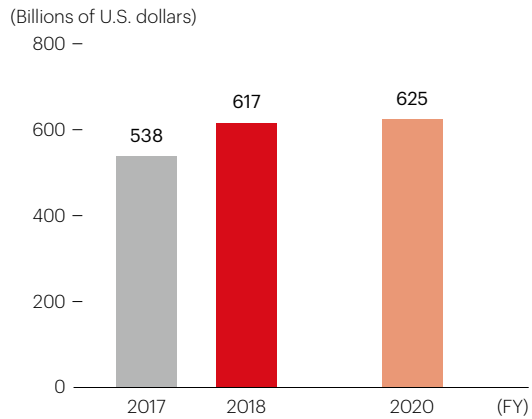
We will further step up our consulting services associated with employee benefit programs to help customers resolve their issues.

### Balance of Alternative Products\*

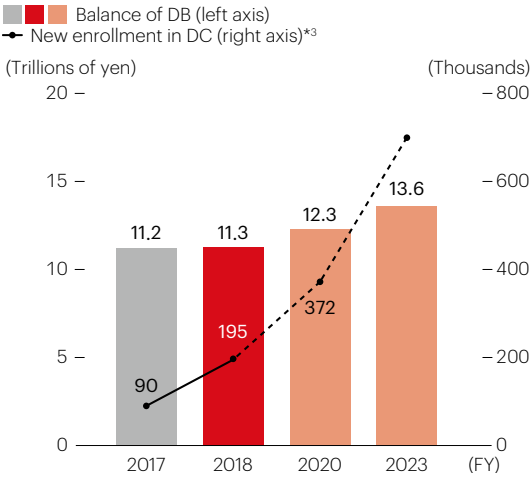


\* Balance of real-estate and other low-liquidity investment products developed in-house

### Balance of Global IS



### Balance of DB\*1 Pension Trusts/ New Enrollment in DC\*2



\*1 Defined benefit pension plans  
\*2 Defined contribution pension plans  
\*3 Cumulative growth since April 2017



Business Overview

Acquisition of a Global Asset Manager

The asset management industry is expected to grow both in developed countries and emerging nations thanks to growing asset building needs arising from changing demographics and socio-economic patterns. For developed countries, this is due to aging populations and for emerging nations, the rapid expansion of the middle class and ensuing accumulation of wealth.

With this in mind, the Trust Bank decided to acquire Colonial First State Global Asset Management (CFSGAM) from Commonwealth Bank of Australia, one of Australia’s major financial groups, completing acquisition procedures in August 2019.

CFSGAM is a global asset manager with a balance of assets under management amounting to over A\$210 billion. It provides investment management services to clients globally, supported by 800 professionals operating out of 12 bases in Asia, Australia, Europe and North America. With a total of 17 asset management teams handling such asset classes as equities, bonds, alternatives and multi-asset funds, this firm has achieved stable business performance over the long term.

While the business started in Australia, CFSGAM is now a global investment management business with a diverse client base supported by regional operations that extend across Asia, Australasia, Europe and North America. CFSGAM has been entrusted with the management of assets by a broad range of institutional and individual investors, and under MUFG ownership, it has the financial backing and strategic support for its growth strategy,

enabling the business to become a stronger global investment management business.

In addition, this firm is strongly committed to practicing responsible investment. Having become a signatory to the United Nations Principles for Responsible Investment in 2007, the firm has practiced asset management in adherence to these principles for more than 10 years.

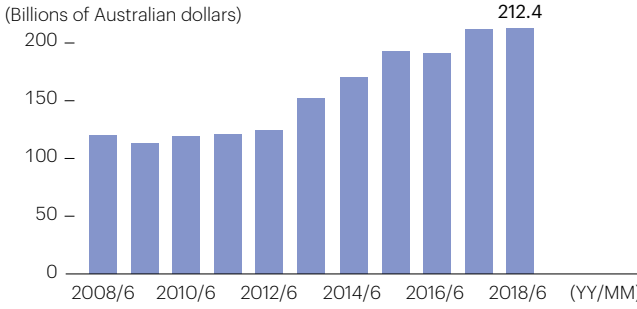
Thanks to the inclusion of CFSGAM, the MUFG Group has grown into one of the largest asset managers in Asia and Oceania on an assets under management (AuM) basis. Going forward, we will continue to seek opportunities to acquire asset managers or teams with unique strength and competitiveness while reaching out to an even broader range of customers around the globe, especially those in fast-growing markets.

In these ways, we will enhance our global presence and remain an asset manager capable of living up to customer expectations.

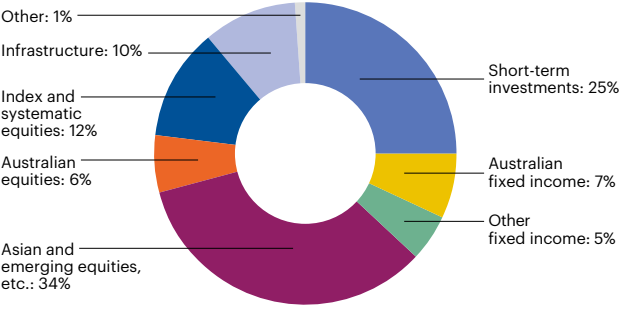
Global Network of CFSGAM/First State Investments (FSI)



CFSGAM’s AuM Balance (2008 – 2018)



Composition of AuM by Asset Class\*



\* As of June 30, 2018

Harnessing Our Collective Strengths



**Mark Steinberg**  
Colonial First State Global Asset Management (CFSGAM)/  
First State Investments (FSI)  
Chief Executive Officer

The completion of the sale of Colonial First State Global Asset Management (CFSGAM), known as First State Investments outside of Australia, to the Trust Bank was an extremely exciting step forward for our business.

CFSGAM offers clients a comprehensive suite of investment capabilities across a number of sought-after asset classes managed by 17 different

investment teams, some of whom have been investing for clients for over 25 years. Specialist capabilities include global emerging markets and Asia Pacific equities, listed and direct infrastructure, Australian equities, fixed income and multi-asset solutions.

With the Trust Bank, we share a strategic vision to harness our collective strengths and become an even stronger global asset manager. We now operate as a standalone business within the MUFG group, governed by a Board comprised of representatives from CFSGAM and the Trust Bank with an intention to appoint independent directors in the coming year.

We will continue to focus on offering high quality, long-term investment capabilities to our clients, with ongoing investment in our operating platform and our portfolio management teams retaining investment autonomy.

Importantly, our investment teams remain committed to incorporating responsible investment principles in to their processes as complementary sources of risk and return. This continues to underpin our corporate identity and is the binding element across our investment teams’ philosophies and strategies.

How MUFG Addresses ESG Issues

Practicing Responsible Investment via Asset Management

Today, public interest in environmental, social and governance (ESG) issues is growing in countries around the world. We are aware of the increasing impact of this trend on the asset owners who entrust us with the management of their holdings. Therefore, we are striving to meet growing customer expectations regarding such issues.

In May 2019, we formulated the MUFG AM Responsible Investment Policy aimed at guiding our initiatives to address ESG issues through asset management activities. This policy is embraced by the Group’s primary asset managers, namely, the Trust Bank, Mitsubishi UFJ Kokusai Asset Management, MU Investments Co., Ltd. and Mitsubishi UFJ Asset Management (UK).

We believe that investment and engagement activities based on ESG opportunities and risks will encourage the sustainable growth of portfolio companies and improve investment performance. In line with this belief, this

7 Cross-sectoral environment and social issues

policy communicates our intention of adopting an investment framework in favor of companies deemed superior based on ESG-oriented evaluation. The policy also places particular focus on maintaining dialogue with them to help them embrace changes.

We will also step up efforts to communicate the importance of an ESG-centered investment approach to customers and investees and facilitate their understanding by, for example, participating in ESG-related international initiatives.

Looking ahead, we are determined to increase the level of consideration we give to ESG issues in the course of asset management. To fulfill our fiduciary duty, we will strive to contribute to the sustainable development of society while securing medium- to long-term returns.

As of March 31, 2019, the balance of responsible investment, which represents the balance of ESG-oriented investment, is 6.1%.

# Global Markets Business Group

We serve our customers through sales & trading (S&T) operations associated with interest rates, bonds, forex and equities in addition to engaging in treasury operations.\*

\* Including ALM (which is the integrated management of liquidity risk and interest rate risk inherent in assets (loans, etc.) and liabilities (deposits, etc.)), global investment and other related operations.



Masamichi Yasuda  
Group Head, Global Markets Business Group

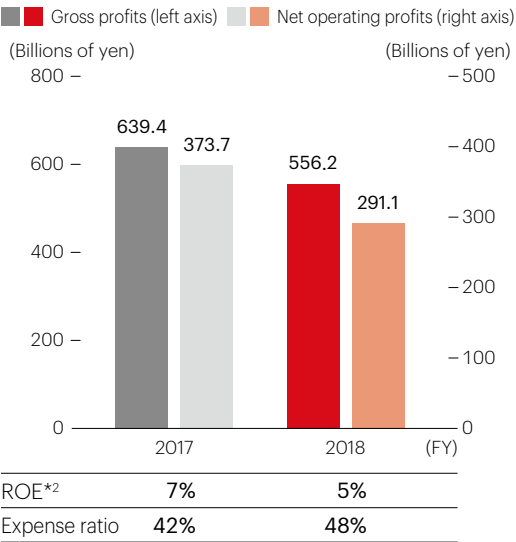
We aim to become an organization capable of delivering value to customers by taking a groupwide integrated approach that transcends the boundaries of Group entities.

In customer segments, we will allocate our resources to fields in which MUFG has been strong and has growth potential, thereby securing greater profit. We will also develop a structure supporting our business activities. Specifically, we will promote the sharing of infrastructure between the Bank, the Trust Bank and the Securities, to offer transactional opportunities with optimal booking for customers.

In treasury operations, we will flexibly carry out hedging operations in a way that conforms to the prevailing market environment and helps exercise robust control on unrealized gains and losses while optimizing our asset allocation. Moreover, we will step up non-JPY balance sheet management, tightening our grip on both the asset and liability sides.

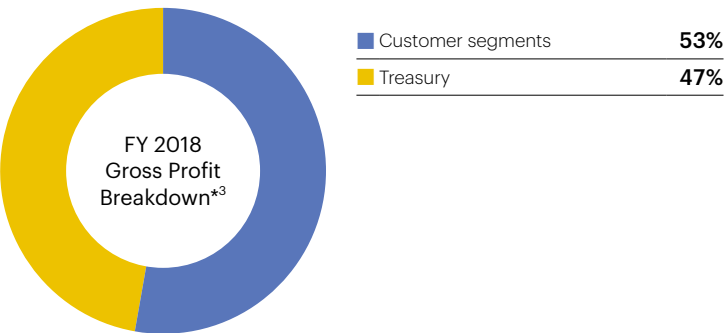
Today, the conditions surrounding our business are changing significantly. We will decisively take on issues arising from these changes, thereby maintaining the trust of customers and society as a whole.

## Fiscal Year 2018 Results\*1



\*1 Including Joint venture profits with GCIB  
\*2 Based on net profits  
\*3 Excluding profits or losses from others

In customer segments, we benefited from robust showings from forex while pursuing cost reductions. However, the profits decreased due to the harsh business environment. In treasury operations, we secured profit via flexible asset allocation in line with the market environment. Nevertheless, profit from these operations decreased due to the absence of proceeds from the sale of JGB recorded in the previous fiscal year



## Our Medium- to Long-Term Strategy

### Customer Segments

Institutional investors: Due to the impact of the evolving market environment and structural changes in the industry, we have met some challenges in terms of improving profitability through ongoing reform initiatives. To overcome these challenges, we will collaborate with other business groups to accelerate O&D. Also, we will address changes in operating environment by strategically allocating our management resources to the areas where MUFG boasts competitive strength such as repo transactions\*1 and secured finance\*2

Corporate customers: We made steady progress in the strengthening of platforms via, for example, the digitalization of forex operational flows.

Derivative business: Mainly in the Americas, we achieved solid results in service fields involving hedging against event risk and other nontraditional risks. On the other hand, conditions surrounding our businesses are growingly harsh due to an evolving market environment, rising needs for non-JPY liquidity management and the introduction of CVA regulations.\*3 In response, we will accelerate efforts to shift our business model by giving due consideration to characteristics of and issues specific to each market region.

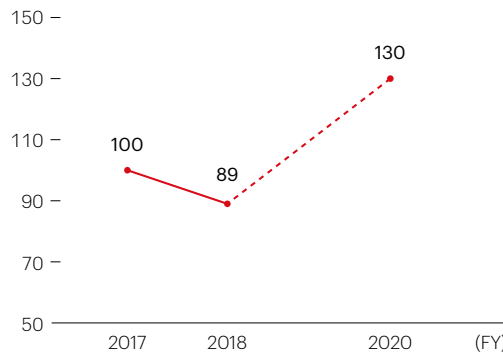
\*1 A type of transaction involving an agreement to exchange funds and bonds for a certain period of time  
\*2 A type of financing that supplements the borrower's credit risk with collateral assets  
\*3 Capital regulations aimed at addressing risks associated with fluctuations in credit valuation adjustment (CVA)

### Treasury

We reviewed our global operational structure to enhance the profitability of both yen and non-JPY holdings and stabilize our balance sheet. Simultaneously, we engaged in market operations in a flexible manner responsive to changes in the market environment.

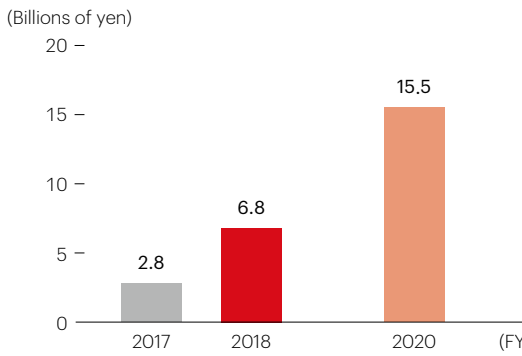
With the aim of maintaining the sustainability and soundness of the MUFG's non-JPY businesses, we will take a groupwide integrated approach aimed at securing stable and efficient non-JPY funding from the market and, to this end, diversify our funding methods and funding sources. We will also carry out market risk management by taking advantage of the strengths of the Bank and the Trust Bank in their areas of specialty.

### Client Value\*



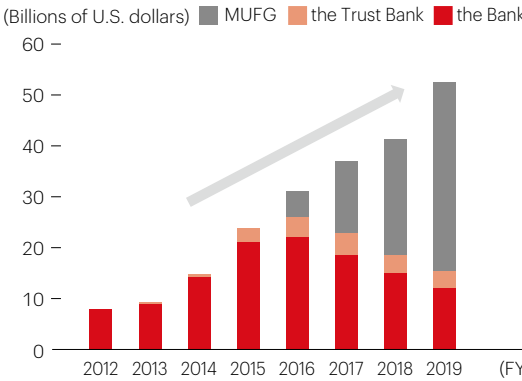
\* Quasi sales & trading profits in institutional investors business (FY2017 level = 100; based on annual average)

### Derivative Revenues in Strategic Fields\*



\* Transactional revenues associated with the provision of various hedging products aimed at countering emerging risks, such as interest rate and foreign exchange risks arising from M&A and other major deals, and investment banking products

### Remaining Balance of non-JPY Denominated Bonds Issued





Enhancing Our Groupwide Integrated Approach

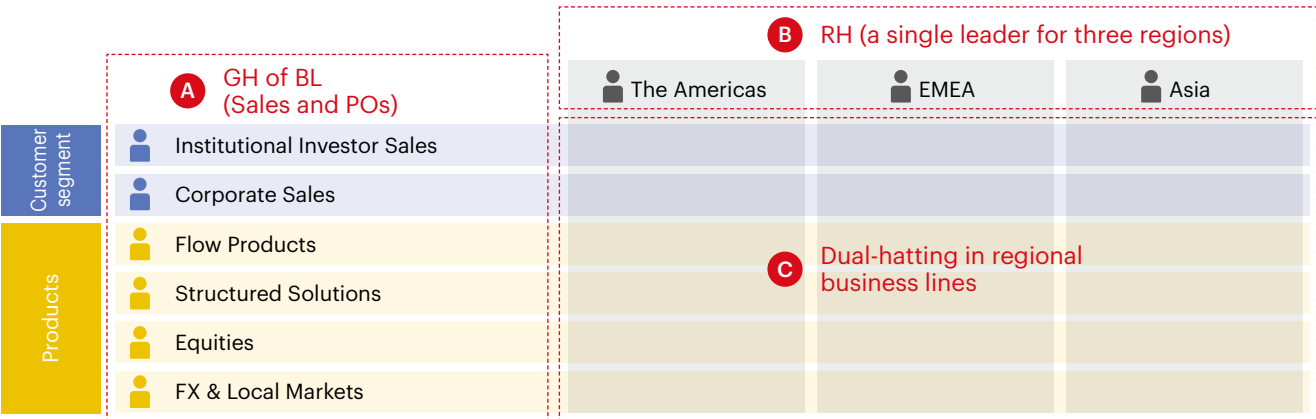
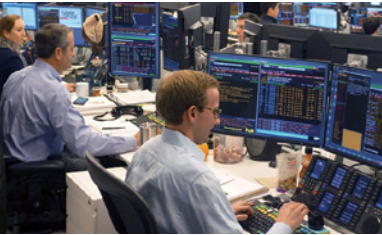
We are promoting the integration of S&T operations handled by the Bank and the Securities Business, with the aim of developing a more robust structure supporting our groupwide integrated management approach. In fiscal 2018, we made progress in our ongoing efforts to enhance customer convenience via a mutual arrangement in which the Bank and the Securities Business utilize each other’s specialist expertise, succeeding in enhancing our structure by executing the following three measures.

- A

Reorganized all business lines to enable global operations  
Appointed Global Head of Business Line (GH of BL)
- B

Appointed Regional Head (RH) to supervise Americas, EMEA and Asia, ensuring relevant business units under the Bank and the Securities Business are overseen by a single leader
- C

Assigned dual-hat positions to a total of approximately 450 staff members operating in overseas S&T fields, charging them with responsibility for operations under both the Bank and the Securities Business



Operational fields Overseen by each Global Head of Business Line

Institutional Investor Sales	Sales of market-related products
Corporate Sales	Sales of market-related products
Flow Products	S&T of interest rate-related products (spot-trading securities, derivatives, etc.)
Structured Solutions	Development and sales of structured products, including structured bonds
Equities	S&T of equity-related products (spot-trading stock, derivatives, etc.)
FX & Local Markets	S&T of G10 currencies (forex) and emerging market currencies (forex and interest rates)

Initiatives to Offer Optimal Booking

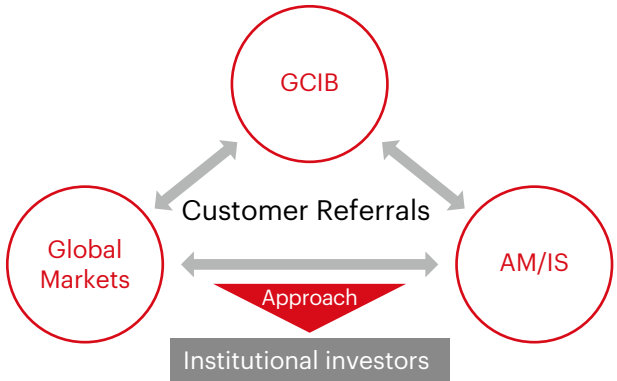
As part of our initiatives to provide services that transcend the boundaries of business groups and Group entities, we developed a groupwide integrated product risk management framework to handle some secured finance products that had previously been offered to customers only by securities units. Thanks to framework created by successful collaboration with other business groups, the Bank is now able to engage in transactions using products of this kind. Going forward, we will strive to develop a flexible booking structure and a more robust risk management framework by consolidating system operational functions and promoting data sharing among Group members. Rallying MUFG’s entire strength, we will provide customers with highly convenient, superior services.

Initiatives in the Institutional Investors Business

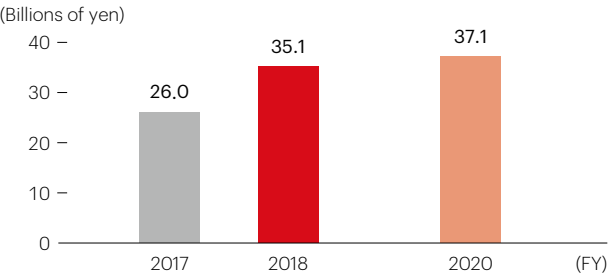
Previously, GCIB, AM/IS and Global Markets have separately delivered their products to institutional investors. In line with the Medium-Term Business Plan, however, we are promoting close collaboration between these three business groups to enhance their service levels and improve MUFG’s capital efficiency. This will also help us shift our focus to the O&D business and expand the scope of businesses targeting institutional investors.

We also established the Institutional Client Business Strategy Office in July 2018. Furthermore, we focused on enhancing our overseas operations by developing the organizational structure, with the aim of extending our groupwide integrated approach to a broader range of customers. Thanks to these efforts, we have seen steady growth in the number of customer referrals among group companies and business groups. For example, fund administration services and asset management products handled by AM/IS are now available to customers via GCIB and Global Markets. Meanwhile, S&T operations were affected by the harsh business environment. To address this, we will review our asset allocation and revert our resources to high priority fields, such as secured finances.

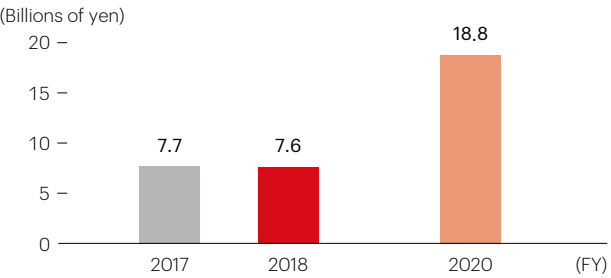
Looking ahead, we will continue to promote intragroup collaboration while maintaining a flexible stance to adapt to changes in the environment. In this way, we will further expand our institutional investors business.



Net Operating Profits from Investor Services



Secured Finance Revenues



How MUFG Addresses ESG Issues

ESG Investment

Around the world, public pension funds and other institutional investors are increasingly paying attention to ESG-oriented investment, believing that giving consideration to the approaches of investees to ESG issues will improve returns over the long term. MUFG has diversified its investment portfolio to encompass domestic bonds, foreign bonds, stock and corporate bonds and thereby improve the risk-return management of its own investment portfolio. Also, we are investing in Green Bonds. Looking ahead, we will strive to enhance MUFG’s financial revenues while contributing to sustainable economic growth via ESG investment.

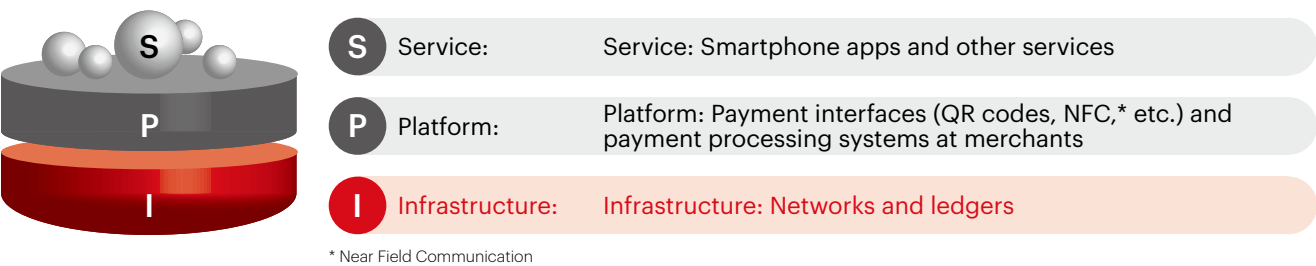
7 Cross-sectoral environment and social issues



# Launching a New Payment Network Business

To promote its cashless strategies in the payment business, MUFG takes a comprehensive approach in the service (S), platform (P) and infrastructure (I) fields.

Here, we introduce our initiatives in the infrastructure (I) field.



Services delivered to customers via user interfaces and other functions offered by apps are supported by a coordinated system of platforms that process payment data and undertake other relevant operations and infrastructure, such as networks. Together with the anticipated commercialization of the fifth-generation mobile communication system (5G), an IoT-based society is expected to emerge. This will, in turn, result in growing demand for pay-per-use and other nontraditional settlement methods. Moreover, the Japanese government's policy of promoting cashless payment is expected to prompt

further growth in this field. Taking these factors into account, there are predictions that rapid growth in cashless payment will result in needs exceeding the processing capacities of existing payment infrastructure.

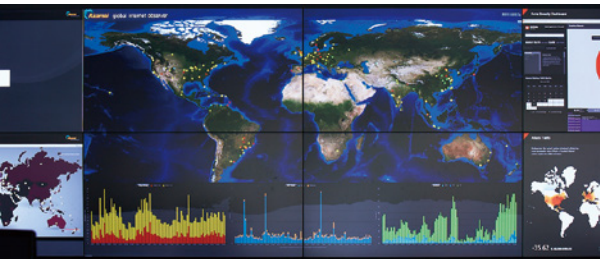
In response, MUFG is collaborating with the U.S.-based Akamai Technologies, Inc. ("Akamai") to develop a high-capacity and secure payment network service that utilizes new blockchain technology.

## Outline of Akamai

Established in 1998 and headquartered in Massachusetts, the United States, Akamai is a leader in the fields of online content delivery and cybersecurity services. Akamai's massively distributed and interconnected platform consists of over 240,000 servers across 139 countries that form a high-speed network unparalleled in scale. This enables Akamai to offer high-speed, high-capacity and secure data communication anywhere in the world.

Combating growing cybersecurity risks and sophisticated cyberattacks, Akamai makes best use of its threat intelligence capabilities backed by big data

collected from around the world and the cutting-edge security systems it has developed.



Akamai's network operations command center

## A New Payment Network Service Provided by Global Open Network

Toward the full-scale launch of the payment network business, MUFG established Global Open Network Inc. jointly with Akamai. Furthermore, in April 2019 the two companies launched Global Open Network Japan Inc. (GO-NET Japan), an operating company aimed at providing an open payment network in Japan.

Currently, GO-NET Japan is planning to initiate services targeting credit card, e-money, digital currency, loyalty points and pre-paid card business operators after the first half of 2020.

These services will be supported by "GO-NET", a highly secure payment network finely tuned to meet

service needs in an IoT society employing new blockchain technology co-developed by MUFG and Akamai.

In fact, GO-NET is expected to have the capacity to process more than 1 million transactions per second. With this in mind, MUFG believes that this network is sufficiently capable of accommodating growing needs arising from the emergence of an IoT society that will entail large number of micro payments. Looking ahead, we will strive to enhance services offered via GO-NET by making it compatible with diverse settlement methods. Moreover, we will extend the scope of this network to encompass an even broader range of countries abroad.

## Eight Features of GO-NET



\*1 Verified under realistic business conditions

\*2 Processing time per transaction is measured end to end from merchant request to final response

## Utilization of GO-NET

