Editorial Overview

We, Mitsubishi UFJ Financial Group, or MUFG, have compiled our integrated report, MUFG Report 2019, in order to explain our efforts to create sustainable value for our investors and other stakeholders. Referencing the framework provided by the International Integrated Reporting Council (IIRC), this report introduces our business model through the opening section (“Who We Are”), and explains the methods we have used to create sustainable value through “Value Creation Initiatives,” “Important Issues Concerning Value Creation” and “Foundations of Value.” Further details on our initiatives for addressing ESG issues are available on our website.

Who We Are

Corporate Vision

The corporate vision serves as the basic policy in conducting our business activities, and provides guidelines for all group activities.

The corporate vision also is the foundation for management decisions, including the formulation of management strategies and management plans, and serves as the core value for all employees.

MUFG has established Principles of Ethics and Conduct based on its Corporate Vision. These principles provide standards for all MUFG employees to guide their decisions and actions.

Corporate Vision

How we act to realize the Corporate Vision

To be a foundation of strength, committed to meeting the needs of our customers, serving society, and fostering shared and sustainable growth for a better world

Our mission

Be the world’s most trusted financial group

1. Work together to exceed the expectations of our customers
2. Provide reliable and constant support to our customers
3. Expand and strengthen our global presence

Our vision

Be the world’s most trusted financial group

1. Integrity and Responsibility
2. Professionalism and Teamwork
3. Challenge Ourselves to Grow

Our values

Who We Are

Important Issues Concerning Value Creation

How MUFG Addresses ESG Issues

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P. 72 Social Contributions
P. 78 Upgrading the Governance Framework

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Communicating with Stakeholders
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P. 102 Consolidated Financial Statements
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Definitions of Specific Terms Used in This Report

MUFG: Mitsubishi UFJ Financial Group, Inc.
the Bank: Mitsubishi UFJ Trust and Banking Corporation
the Securities Business: Mitsubishi UFJ Securities Holdings Co., Ltd.
and its subsidiaries
MUMS: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
MUAH: MUFG Americas Holdings Corporation
Kurangi Bank of Ayudhya Public Company Limited
Bank Danamon PT Bank Danamon Indonesia, Tbk.
CFSGAM: Colonial First State Global Asset Management

Report on Risk Management

RAC: Retail & Commercial Banking Business Group
JCB: Japanese Corporate & Investment Banking Business Group
GCIB: Global Corporate & Investment Banking Business Group
AM/IS: Asset Management & Investor Services Business Group
Global Markets: Global Markets Business Group

Disclaimer

This report contains forward-looking statements with regard to the expectations, forecasts, targets and plans of Mitsubishi UFJ Financial Group, Inc. (“MUFG”) and its subsidiaries and affiliates (collectively, “the Group”). These forward-looking statements are based on information currently available to the Group and are stated in this document on the basis of the outlook at the time that the document was produced. In producing these forward-looking statements certain assumptions (premises) have been utilized that are subjective and may prove to be incorrect. Should any underlying assumption prove to be incorrect, actual results in the future may vary materially from some of the forward-looking statements in this document. The Group has no obligation or intent to update any forward-looking statements contained in this document. In addition, information on companies and other entities outside the Group that is included in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by the Group and cannot be guaranteed. All figures contained in this report are calculated according to generally accepted accounting principles in Japan, unless otherwise noted.

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MUFG Value Creation Process

Sustainable growth backed by business activities aimed at providing solutions for issues society is confronting

Social Issues

Global economy
- Countering low economic growth in developed countries and slowing growth in emerging nations
- Global warming & climate change
- Adapting to extreme weather
- Social infrastructure
- Political and geopolitical risks

Domestic economy
- Declining birthrate and aging population
- Ongoing deflationary trend
- Reforming investment chains
- Innovating regional economies
- Workstyle reforms

Corporate Business
- Corporate governance reforms
- Securing business succession in light of an aging generation of corporate managers
- Establishing and executing sound growth strategies (globalization, M&A and the expansion of sales channels)

Retail Business
- Stable asset building
- Securing the smooth succession of assets for the next generation

Value delivered to stakeholders

Shareholders
- Further enhancing shareholder returns p. 30

Customers
- Services beyond expectations p. 38-63, p. 93

Environment and society
- Initiatives to help realize environmental and social sustainability p. 66-73

Employees
- HR systems to assist employees in the pursuit of professional success p. 74-77

Who We Are

MUFG Value Creation Process

MUFG

Invested capital

Business models
A groupwide integrated management approach that is simple, speedy and transparent

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Japanese Corporate & Investment Banking p. 42-45
Global Corporate & Investment Banking p. 46-49
Global Commercial Banking p. 50-53
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Enhance our new business model via the MUFG Re-Imagining Strategy

Groupwide integrated operations
Strategic investment aimed at seizing opportunities arising from market growth
Corporate governance framework
Risk appetite framework
Culture of compliance
Initiatives to address environmental and social issues

Commercial Banking
Investment Banking
AM / IS
Global Markets

Priority environmental and social issues determined by MUFG in reference to such international norms as United Nations Sustainable Development Goals (SDGs)

1. Aging population & low birth rate
2. Business incubation & job creation
3. Social infrastructure & town planning
4. Financial innovation
5. Workstyle reforms
6. Global warming & climate change
7. Cross-sectoral environment and social issues

Invested capital

- Human capital
- Financial capital
- Intellectual capital
- Social and relationship capital

Human capital
- 18,000 domestic and overseas employees with diverse backgrounds
- Wealth of human resources boasting professional skills
- Strong employee engagement

Financial capital
- Solid balance sheet
- Diversified profit structure
- Stable procurement bases at home and abroad

Intellectual capital
- Expertise in the global financial business
- Open innovation aimed at incorporating external insights

Social and relationship capital
- Extensive customer base (34 million individual customers and 1.3 million corporate customers in Japan)
- Global network (802 domestic bases and approximately 3,000 overseas bases in more than 50 countries)

Committed engagement with stakeholders p. 92-93

Contributing to the betterment of society
History of MUFG

Among MUFG’s precursors, the oldest dates back approximately 360 years. Over this long span of time, our commitment to addressing customer needs has remained unchanged, weathering the course of mergers prompted by recurring periods of social change and economic adversity, including worldwide recessions, Japan’s rapid growth period, the rise and fall of bubble economies, and, most recently, the Global Financial Crisis.

We have nurtured our commitment despite the circumstances and are determined to move forward to achieve mutual and sustainable growth with our customers. Moreover, we aspire to contribute to the sound development not only of Japan but of countries around the world and we aim to be part of the bedrock of society.

With all employees sharing this commitment and aspiration, MUFG steadfastly pursues its mission.
Financial Highlights

Key Financial Performance Indicators

<table>
<thead>
<tr>
<th>Ratio</th>
<th>FY2018 (Trillions of yen)</th>
<th>FY2019 (Trillions of yen)</th>
<th>FY2020 Targets</th>
<th>Medium- to Long-term Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (MUFG definition)*</td>
<td>6.5%</td>
<td>6.45%</td>
<td>6.45%</td>
<td>9% to 10%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>71.0%</td>
<td>6.45%</td>
<td>5.41%</td>
<td>68.0%</td>
</tr>
<tr>
<td>Common Equity Tier 1 capital ratio</td>
<td>12.2%</td>
<td>11.4%</td>
<td>11.7%</td>
<td>Approx. 11%</td>
</tr>
</tbody>
</table>

Expense ratio increased due to a decrease in gross profits mainly because of a decrease in net trading profits, as well as an increase in G&A expenses for overseas operations.

Market Capitalization

Trillions of yen

<table>
<thead>
<tr>
<th>Company</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2020 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUFG</td>
<td>13.1%</td>
<td>12.0%</td>
<td>11.8%</td>
</tr>
<tr>
<td>JPMorgan</td>
<td>14.0%</td>
<td>13.6%</td>
<td>13.2%</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>11.8%</td>
<td>11.7%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>11.6%</td>
<td>11.7%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>12.2%</td>
<td>12.0%</td>
<td>11.8%</td>
</tr>
<tr>
<td>HSBC</td>
<td>13.1%</td>
<td>13.2%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Barclays</td>
<td>14.0%</td>
<td>13.6%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Financial Results under the Medium-Term Business Plan

Return on Equity (ROE) declined mainly due to a decrease in profits attributable to owners of parent.

Expenses attributable to owners of parent decreased mainly due to a decrease in net operating profits and an increase in expenses on impairment of fixed assets for system integration of MUFG, partially offset by an improvement in credit costs and an increase in profits from investments in affiliates. EPS declined as well.

Ratio of fee income rose due to an increase in gross profits, reflecting lower net trading profits, as well as an increase in G&A expenses for overseas operations.

Common Equity Tier 1 capital ratio (%) remains at a sufficient level.

Financial Position Compared with Global Peers (G-SIBs)*1

*1 Comparisons with European and American G-SIBs which a G-SIB buffer (announced in 2018) of 1.5% or greater is applied.

Credit Ratings*2

<table>
<thead>
<tr>
<th>Company</th>
<th>A1</th>
<th>A2</th>
<th>A3</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUFG</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPMorgan</td>
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<tr>
<td>HSBC</td>
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<td></td>
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<tr>
<td>Barclays</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of America</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*2 BNP Paribas and Deutsche Bank: Non-preferred senior ratings

Other: Issuer ratings or long-term foreign currency-denominated debt ratings

*3 For details on calculation methods, please also see descriptions on ROE featured in “Financial Highlights” on page 6.

GF: Group Financials

ROE (MUFG definition)*: ROE (MUFG definition) = [(Total shareholders’ equity at the end of the period + Foreign currency translation adjustments at the end of the period) ÷ 2] \% + [(Total shareholders’ equity at the beginning of the period + Foreign currency translation adjustments at the beginning of the period) ÷ 2 - 100%]

Expenses attributable to owners of parent (left axis)

Net operating profits from customer segments (right axis)

Earnings per share (EPS) (left axis)

ROE (MUFG definition)*

Expenses attributable to owners of parent (right axis)

Net operating profits from global customers (GCIB + GCB; right axis)

Ratio of net operating profits from global customers (left axis)

Common Equity Tier 1 capital ratio (finalized Basel III reforms basis)*

Net operating profits from customer segments (right axis)

Ratio of fee income (right axis)

Gross profits (right axis)

Profit attributable to owners of parent (%) (left axis)

Expenses attributable to owners of parent (%) (right axis)

Common Equity Tier 1 capital ratio (%) (finalized Basel III reforms basis)

Expenses attributable to owners of parent (%) (left axis)

Net operating profits from global customers (GCIB + GCB; right axis)

Ratio of net operating profits from global customers (left axis)

Net operating profits from customer segments (right axis)

Earnings per share (EPS) (left axis)

ROE (MUFG definition)*

Expenses attributable to owners of parent (%) (right axis)

Net operating profits from customer segments (right axis)

Ratio of fee income (right axis)

Gross profits (right axis)

Profit attributable to owners of parent (%) (left axis)

Expenses attributable to owners of parent (%) (right axis)

Net operating profits from global customers (GCIB + GCB; right axis)

Ratio of net operating profits from global customers (left axis)

Net operating profits from customer segments (right axis)
**ESG Highlights**

### Environment

**MUFG’s Track Record and Ranking as a Finance Arranger in the Renewable Energy Sector**

**US$3,940 Million (No. 1 ranking)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 3</td>
<td>No. 2</td>
<td>No. 1</td>
<td>No. 1</td>
<td>No. 1</td>
<td>No. 1</td>
</tr>
</tbody>
</table>

**Carbon Dioxide (CO₂) Emissions**

<table>
<thead>
<tr>
<th>(Kt-CO₂)</th>
<th>208Kt</th>
</tr>
</thead>
</table>

- **2018**: No. 1
- **2017**: No. 1
- **2016**: No. 2
- **2015**: No. 2

*Domestic total for MUFG, MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities and Mitsubishi UFJ NICOS

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,940</td>
<td>3,940</td>
<td>3,940</td>
<td>3,940</td>
<td>3,940</td>
<td>3,940</td>
</tr>
</tbody>
</table>

**MUFG is included in a number of prominent ESG-related stock indices at home and abroad (as of May 31, 2019).**

- **MUFG Union Bank was selected by DiversityInc as one of the world’s Top 50 Companies for Diversity.**
- **MUFG was chosen as a member of the 2019 Bloomberg Gender-Equality Index (GEI).**
- **MUFG Union Bank has received full marks for six consecutive years in the Corporate Equality Index.**
- **MUFG has received the top gold rating on the PRIDE Index which evaluates companies’ inclusivity efforts toward LGBT.**

### Governance

**Number of Members of the Board of Directors**

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15</td>
<td>15</td>
<td>17</td>
<td>17</td>
<td>18</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

**The Proportion of Independent Outside Directors**

- **FY2019**: 9 out of 16 (56.2%)  

### Society

**Number of Business Matches Made**

*Approx. 112,000*

**Number of Occasions in which MUFG Staff Provided Students with Economic and Financial Education**

*596 times*

**Ratio of Female Managers in All Managerial Positions**

- **2014**: 6.0%
- **2015**: 6.0%
- **2016**: 6.0%
- **2017**: 6.0%
- **2018**: 6.0%

**22.7%**

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

*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

*Total for MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities, and Mitsubishi UFJ NICOS
“Let’s Build New Trust”... an Idea Whose Time Has Come

As context for this report – which integrates information and observations about MUFG’s extensive activities into a useful form for stakeholders – I would first like to share a few thoughts on our company’s deepest purpose, and on a past that informs our ideals for the future.

An Unwavering Commitment Honored for 360 Years

MUFG’s heritage dates back to an exchange bureau established more than three-and-a-half centuries ago, and is marked by major adversities overcome through skill and tenacity. These include global recessions, the rise and fall of economic bubbles, and – more recently – the financial crisis triggered by the Lehman Brothers bankruptcy. We have also undergone a number of mergers over the years. All this has contributed to our evolution into the MUFG you know today.

Over the years, as our businesses and products have evolved, one thing has remained constant: our commitment to safeguarding and enhancing the welfare of customers and society through quality financial services. Fulfilling this commitment is a requirement for earning society’s permission for us to exist – and to flourish. If we do our job right, we provide lifeblood to the economy and open the possibility for all boats to rise, including our own.

To accomplish this, we must deserve society’s trust – the bedrock of financial services. Trust demands certain fundamentals that we believe we have mastered: accurate clerical operations and stable systems that allow us to protect the assets entrusted to us; a solid financial position that enables us to provide reliable financial services; and a global force of mission-driven employees deeply committed to serving the best interests of customers.

We are grateful for the many stakeholders who express an ongoing appreciation of these MUFG strengths and the value of our services, security, and safety. And we are proud that these qualities have won the trust – and business – of many thousands of people in the 50-plus nations we serve.

Now, upon that foundation, we face an epoch of unrelenting, radical change.

Striving to Win Customer Trust, We Will Remain a Trailblazer in Terms of Innovation

With the global economy stuck in a low-growth trap, central banks around the world are applying monetary-easing policies to induce and maintain low interest rates. Developed countries are feeling the troubling effects of rapidly graying populations. A struggle for global hegemony between the United
Management Message

Message from the CEO

States and China is playing out through trade frictions, and some countries are seeing a disturbing rise in nationalism. The longstanding framework for international collaboration to support the global economy has been badly shaken.

Environmental and social issues are attracting public interest. So are business practices to achieve United Nations Sustainable Development Goals and to encourage Environment, Social, and Governance-oriented investment. Millennials and Generation Z are embracing new value systems and mindsets. All these forces help drive radical changes in customer behaviors.

Meanwhile, digital technologies are advancing swiftly and relentlessly, fueling disruption with breathtaking intensity—and significantly accelerating the pace of change. According to McKinsey Global Institute, the number of television required 13 years to grow an audience of 50 million. The publicly accessed Internet required only three years—Twitter, just nine months.

Consider how this has affected humanity. Technology is sweeping away conventions and traditions, and the new is pushed over the edge. Millennials and Generation Z are eager to embrace, and relentlessly, fueling disruption with breathtaking intensity. The pace of change is unprecedented; always prioritize customer confidence and trust.

I ask our colleagues to set their sights above simply safeguarding the customer trust we have earned over the years. That trust is necessary, but not sufficient. We must also meet the challenge of building new trust by offering new products and services that satisfy the new needs of customers—old and new.

Setting Our Sights Higher than Required

When our current medium-term business plan (MTBP) was formulated, the primary goal was to define a path—through a volatile environment—leading to sustainable growth. We concluded we need a full revival, one akin to a re-founding of MUFG. In that spirit, we launched our “MUFG Re-Imagining Strategy” in 2017. The strategy is supported by “Eleven Transformation Initiatives” that diverge significantly from the accepted ways of doing things, including how we use advanced technology.

We created the slogan—“Let’s Build New Trust”—as a banner for the work we must do while balancing two countervailing concepts. On the one hand, we must maintain customer confidence and trust. On the other, we can’t be too cautious or content with merely protecting what we have today. We must embrace the ambition to take on new things and generate new trust through constant innovation.

This means we must challenge the status quo, tailor products and services to customer needs at an unprecedented level, always prioritize customer convenience over our own, and create new innovative points of contact with them through digital technologies. When such efforts succeed in creating delight, we will be building “New Trust” and fulfilling the role I believe MUFG should aim for.

In this environment, what manner of financial institution should MUFG aspire to be? When I assumed the role of Group CEO, I had to seriously reflect on this question. No matter how harsh the environment, of course we must maintain the highest standards of stability and trustworthiness, but at the same time we must innovate new services and user experiences to keep pace with blindingly fast changes in customer requirements.

Financial services have long fulfilled an essential function supporting economic activities and society as a whole. MUFG should thus aspire to fulfill its unspoken social contract to be strong and trustworthy while also ensuring that it is capable of innovation.

On Professional Pride, Humility and Leadership

With this being my inaugural letter to you as CEO, I felt that a personal note about the experiences that have led me to my current role would be in order.

At age 30, I entered a pivotal period of my life that would shape the arc of my career. Having graduated from the Wharton School in the U.S., I was assigned to the London branch of Mitsubishi Bank for seven years. Throughout that period, I was surrounded by colleagues of widely varied backgrounds and nationalities—a nourishing experience in diversity for anyone studying international finance, as I was at the time.

Apart from their immaculate professionalism, their genuine pride in their roles made a deep impression on me. Although they were from all over the globe, these colleagues shared certain qualities in common, including a focus on clients’ needs and carrying out their duties with resourcefulness, creativity, and excellent communication.

Collectively, they schooled me in my first leadership—one that prepared me for what lay ahead.

By the year 2000, having returned to Japan to work in corporate banking sales for six years, I was transferred to New York and appointed deputy general manager overseeing our business with Japanese corporations. Then, five years later, I led the $2.4 billion, 110,000-man-month project of integrating systems of The Bank of Tokyo-Mitsubishi and of UFJ Bank, the two organizations that combined to form MUFG Bank.

With no prior experience in IT, I immediately recognized the need to create a team of accomplished professionals, including system specialists, banking operators and others from across the organization who were well-versed in operations. The assignment exposed me to the impressive depth and range of MUFG’s talent bench. It also impressed upon me, through frequent engagement with senior leaders, how crucial management commitment is to success when executing critical, long-term projects.

In 2011, I was appointed officer in charge of systems and operations for the entire bank. Leading such a round-the-clock operation, which at peak could handle 100 million transactions a day—smoothly without failure, using systems requiring constant upgrading and streamlining—was a daunting responsibility. This position gave me the chance to work with professionals who relished tackling serious challenges. It also reinforced my appreciation of IT and its irreplaceable role in finance.

Two years later, I led the latter part of MUFG’s negotiations, which had already progressed halfway, to acquire the Bank of Ayudhya (Krungsri) in Thailand. My approach was to identify the cultural fit between the two organizations—particularly the mutual values they each cherished most—that would facilitate discussions and put us on an accelerated path to a final agreement.

In 2015, I transferred back to New York, became the regional executive for the Americas, and co-managed MUFG Union Bank and its 10,000 employees alongside our newly appointed American CEO in the United States. It was a valuable experience that exposed me to the uniquely fast-paced, dynamic approach to decision making often practiced by American executives. It also demonstrated to me the cultural importance of hiring managers sensitive to local market trends to effectively lead regional businesses.

If there is one conclusion from the sum of my experience, it’s that humility, paired with quiet confidence, is a vital trait for bankers—especially in leadership positions. It leaves a mark open to learn and improve, regardless of past accomplishments. It diverts attention to the needs and contributions of others. And, it drives one to leverage personal success for the greater good.

That is why, among all the characteristics that compose a corporate culture, the one I most sincerely wish for MUFG colleagues to exemplify is humility.
Management Message

Message from the CEO

Where We Stand & Where We Aim to Go

I’d like to share some thoughts on our recent progress and the challenges we face as we continue to deploy our three-year MTBP.

Reflections on Fiscal 2018 Performance

Fiscal 2018 was the first year of this MTBP. We anticipated a year of assuming a “heads-down” stance while aiming for a turnaround in the second year and growth in the third. Accordingly, we were primed to tackle harsh conditions in fiscal 2018. However, the environment was even harsher than we had envisioned.

It is my sincere regret that we failed to meet our financial targets (which we revised upward with our November 2018 announcement of interim results) due to such factors as impairment losses from fundamentally revising our system integration plan for Mitsubishi UFJ NICOS.

As a positive, however, our overall progress on organizational transformation and business-model “re-imagination” has been steady.

We made important strides in optimizing our organization by integrating management based on our Business Groups. For example, we integrated the corporate loan-related businesses of the Bank and the Trust Bank for better collaboration and significantly increased intra-group referrals.

We also promoted digitalization strategies, jointly establishing Global Open Network with U.S.-based Akamai Technologies, Inc., an ambitious project to offer an open-payment network based on new blockchain technology we hope to eventually offer to customers.

In line with our domestic sales-channel strategy, we equipped all branches with self-service terminals, such as specialized store teller machines for paying taxes and bills, and LINKS teleconferencing systems for consulting services, while developing a branch offering an innovative user experience. We also upgraded our smartphone app to make it more customer-friendly.

Overseas, our net-interest income has increased, particularly in the Japanese corporate sector. Thailand-based Krungsri delivered stable growth, and revenues from investor services overseas have increased under the MUFG Investor Services brand.

The Global Corporate & Investment Banking Business Group (GCIB) has curbed its balance of low-profitability assets by approximately ¥800 billion. In March 2019, we signed an agreement with Germany-based DVB Bank to acquire its aviation finance-related business, which included a solid portfolio of high-profit assets valued at more than ¥700 billion. We will continue to nurture aviation finance into the third earnings pillar of GCIB, alongside our global presence in project finance and securitization.

We have made significant progress in our inorganic strategies as well. In April 2019, Bank Danamon in Indonesia became a consolidated subsidiary, helping complete our seven-year initiative to establish a commercial banking business platform to serve key ASEAN nations. We will share expertise and pursue synergies with the partner banks in addition to strengthening internal controls to enhance its value.

In August 2019, we completed procedures for acquiring Colonial First State Global Asset Management (CFS GAM) in Australia.

We have also taken steps to optimize our portfolio of strategic investments. As with the divestment of our shares in CIMB in fiscal 2017, we sold part or all of our shares in Standard Life Aberdeen, Banco Bradesco SA, and Dah Sing Financial Holdings.

As a result, we made two year-on-year improvements for the first time in four years. First, our net-interest income – the mainstay source of income in banking operations – has bottomed out. Second, we grew net operating profits from customer segments.
Fiscal 2019: A Turnaround Year

With this momentum, we aim for an overall turnaround in our performance in fiscal 2019, the second year of our MTBP. We will also revise strategies for some businesses that failed to meet planned milestones in fiscal 2018.

For example, the institutional investors business, especially Sales & Trading, felt negative effects from slumping stock prices and concerns about overseas credit markets. Accordingly, we should reconsider our strategies, downsize part of this business, and refocus management resources on forex, structured products, and other MUFG strengths.

The wealth management business struggled similarly in fiscal 2018. Although we believe our overall direction in this field is correct, this business has met difficulties in investment product sales. With this in mind, we must develop our platform for successful transition from a conventional business model focused on investment product sales to a new model of asset management and advisory services.

We are also stepping up cost control. We previously set a target of reducing domestic branches by 20% by the end of fiscal 2023, but we revised this target to 35%. Based on a review of bank counter, middle, and back-office operations, we are confident we can reduce the workload equivalent of more than 10,000 employees, compared with the original estimate of 9,500. We are also overhauling the entire cost structure and, to this end, considering a significant reduction in headquarters staffing.

We aim to show a turnaround in fiscal 2019 and growth in fiscal 2020. We see positive signs that indicate this outcome.

The Retail & Commercial Banking Business Group (R&C) is shifting to a business model that secures recurring revenues and is resilient despite fluctuations in the market environment. The Group is also pushing ahead with an exhaustive reform of its cost structure and making steady progress toward a stronger financial base.

In the asset management business, R&C will reallocate hundreds of staff from the Bank to Mitsubishi UFJ Morgan Stanley Securities, which should help boost intermediary customer referrals. Similarly, it will reallocate staff in the real estate business to strengthen its overall structure.

The Group has also merged domestic commercial and retail banking offices under single branch management. This lowers costs and was accomplished 18 months ahead of schedule. By optimizing staffing, branches, and ATM networks, R&C aims to beat its cost-reduction target under the MTBP.

The Japanese Corporate & Investment Banking Business Group (JCIB) is improving its foreign currency lending/deposit gap and lending spreads, and will enhance its transaction banking functions while expanding its Origination & Distribution business.

The Group strove to upgrade its ability to propose Corporate Real Estate asset solutions, assist clients in the formulation of shareholder strategies through corporate agency services, and step up its pensions management. This lowers costs and was accomplished 18 months ahead of schedule. By optimizing staffing, branches, and ATM networks, R&C aims to beat its cost-reduction target under the MTBP.

The Group also divested low-profitability assets while acquiring the aviation finance business described earlier as well as a supply-chain finance business in the United States, with the aim of accumulating highly profitable assets.

The Global Corporate & Investment Banking Business Group (GCIB) has steadily grown overall operations thanks to the addition of Bank Danamon, along with contributions from Krungsri and its solid consumer business performance, somewhat mitigating the impact of lower revenues and profits anticipated at MUFG Union Bank.

With more than 3,000 branches operated by MUFG partner banks in ASEAN nations, the Group is positioned to draw on the dual strengths of this tremendous franchise base and the Company’s global network. It aims to expand by developing a local business network serving the entire supply chain, ranging from major finished-product manufacturers seeking to expand into ASEAN nations; to their suppliers, dealers, and other local SMEs; and to retail customers such as these entities’ clients and employees.

The Asset Management & Investor Services Business Group (AM/IA) expects lower profits, due to expenses associated with acquiring Colonial First State Global Asset Management (CFSGAM) and the absence of dividend income following the divestiture of Standard Life Aberdeen. However, the Group anticipates its fiscal 2019 profits to rise year-on-year, excluding these one-off factors. Aiming to become one of the top 15 global asset managers on an assets-under-management basis, the Group will focus on working with CFSGAM on post-merger integration.

In the investor services business, the Group will expand its banking services associated with fund administration to secure a position among the global top-five firms in value of alternative funds under administration. The Group will continue upgrading its internal control systems and exercising a firm grip on costs, creating a more robust structure to support business expansion.

The Global Markets Business Group, as mentioned earlier, is considering downsizing S&T operations and shifting management resources to fields where MUFG has been strong or shows growth potential. Specifically, the Group will focus on services such as forex and asset management for institutional investors.

In treasury operations, the Group aims to grow net proceeds from sales and purchases by countering changes in external conditions, such as U.S. monetary policies. This includes reviewing its asset allocation policies for bonds and equities while engaging in hedging transactions.

Upgrading Compliance & Internal Control Systems

We are keenly aware of the exceeding importance of initiatives aimed at upgrading internal control systems that support the sales strategies and business endeavors discussed earlier.

Indeed, regulatory authorities in nations around the world – particularly in the U.S. – are calling for financial institutions to implement sophisticated financial crime countermeasures, due in part to growing public pressure.
In response, MUFG established the Global Financial Crimes Division (GFCD) in November 2017. Based in New York, GFCD is charged with supervising anti-money laundering, sanctions compliance, and anti-bribery and anti-corruption activities at business units across the enterprise. GFCD also maintains a team of experienced financial crime specialists overseeing Group operations in regions around the world. We will strengthen the organizational structure by enforcing globally unified standards at business bases in 50 countries.

In autumn 2019, Japanese financial institutions, including MUFG, will be subject to a fourth Financial Action Task Force evaluation, undergoing an important assessment of compliance and the effectiveness of our AML measures. With this in mind, in June 2019 we upgraded our “Know-Your-Customer” procedures and systems. As a crucial component of Japan’s financial system, we will maintain a firm stance against these financial crimes.

Financial Services to Resolve Environmental, Social & Governance Issues

Today, growing public awareness and support of initiatives to create a sustainable society have become a major force. A broad range of businesses now actively promote Sustainable Development Goals, and ESG-oriented investment is a thriving mainstream asset-management methodology. In this method, investors select investments based on how sensitive business models are to environmental (E) and social (S) concerns, and how robustly governance (G) practices support their ideals.

Regrettably, we recently experienced compliance-related incidents, such as market manipulation. We are seriously reflecting on these cases and are determined to address the challenge. To this end, we are rallying the enterprise and marshalling its powers to clamp down firmly on regulatory noncompliance.

For example, we offer sustainable finance. MUFG has set a goal of ¥20 trillion for sustainable finance by fiscal 2030 (of this, ¥8 trillion will be used for environmental finance). To reach our goal, we will finance renewable energy projects and underwrite and distribute Green Bonds. We will also finance incubation projects to nurture startups and regional revitalization programs.

For another example, our revised MUFG Environmental and Social Policy Framework came into force in July 2019. MUFG will no longer finance new coal-fired power-generation projects, and we have reclassified transactions related to forestry, palm oil, and coal mining into categories requiring restrictions. In addition, we have formulated a Responsible Investment Policy to guide our asset management business and declared support for the Task Force on Climate-related Financial Disclosures. Accordingly, on page 69 of this report, we disclose figures on MUFG’s carbon-related assets. We have also undertaken analyses of climate-change scenarios to assess the possible impact of climate-change risks on our credit portfolio.

Governance Reforms—a Voyage, Not a Destination

Recently, a growing number of reports on scandals involving corporations and similar entities suggest that dysfunctional governance has been a primary cause of infractions. Given the importance of governance systems, the MUFG Group has endeavored to upgrade its since its inception in 2005 and transitioned to the “company with three committees” system to strengthen its management structure. The number of outside directors has grown from the original four members to form a majority of our Board today. Our nine independent outside directors include three women and two foreign nationals, reflecting our commitment to diversity. In addition, all committees operating under the Board are chaired by outside directors. I, myself, was nominated as a Group CEO candidate through discussions at a series of seven Nominating and Governance Committee sessions presided over by one of these outside directors.

However, robust governance is a result of substance, not show, and requires constant upgrades in light of the business environment. MUFG still has much to do regarding upgrading its governance systems; for example, we need to enhance the overarching governance functions of a number of Group subsidiaries and affiliates operating in regions around the globe.

Ultimately, our pursuit of governance reforms is a voyage, not a destination. We are constantly evaluating ourselves and working to make our governance structure more effective.

Digitalization and Human Resource Development

It is a fact that employee engagement and empowerment are crucial to any success of structural reforms, especially on scale we are undertaking.

We expect to streamline operations, reducing our workload by the equivalent of more than 10,000 employees due to digital technology over a five-year period, but we also expect a natural headcount reduction of 6,000 at the same time. This means skill requirements for the MUFG employees will change considerably, and we face the major management challenge of offering fulfilling career opportunities to those displaced by the gaps.
We will work individually and personally to identify future career paths based on business experience, and provide training programs to equip candidates with skills and encourage them to take on rewarding new tasks.

We also will recruit and nurture tech specialists who can spearhead digital transformation and launch training programs that welcome all employees who wish to broaden their digital literacy.

In step with the globalization and diversification of our businesses, MUFG is confronting the challenge of developing future management. The importance of securing excellent candidates cannot be overstated.

To address this, we established “MUFG University” in 2018. Today, more than 200 colleagues, including executive officers and other senior management members hired in Japan and overseas, have signed up for its programs. Their common goal is to gain a global perspective and robust execution skills needed to manage Group operations via, for example, global leadership training programs hosted jointly with the Switzerland-based International Institute for Management Development.

Also, in line with our policy of not accumulating excessive capital, I will consider executing share repurchases whenever our capital surplus is sufficient, due to factors such as the additional recording of profits or further reduction in the consumption of risk-weighted assets.

Any team embarking toward a distant destination requires enlightened leadership. How far the team can go depends on how well the leader encourages all members to unleash their potential. This is a core belief of mine.

MUFG aims to remain a steadfast, stable and trustworthy contributor to society 100 years from now. To this end, I pledge to work shoulder-to-shoulder with all Group members, assuming the pivotal task of deploying our talents to realize the MUFG Re-Imagining Strategy.

Standing on an unassailable foundation and stretching our imagination through relentless innovation, we will earn new trust around the globe. We ask your continued support as we strive for that goal.

Final Words

Japan’s financial industry is navigating difficult times. Simply safeguarding what we have already built is not enough to restore healthy growth.

But, if we squarely face the facts of the future, take action on our toughest challenges and harness today’s tremendous new energy to build new trust, we can position ourselves once again for abundant opportunity.

MUFG’s customer base consists of approximately 34,000,000 retail customers and approximately 1,300,000 corporate clients. This suggests that a vast number of individuals and corporations find MUFG reliable and have entrusted us with precious and private information. This enormous customer base, built and maintained over generations, is an enviable asset, especially coveted by would-be competitors entering from non-financial industries. Leveraged through advanced technologies – with updated marketing methodologies and a redefined business model – this asset can help us create even greater value.

Above all, MUFG is supported by nearly 200,000 employees operating in more than 50 nations around the world. I am confident that we can transform our enterprise if these individuals realize their full potential – and I will do my utmost to equip them.

When engaging with colleagues, I often quote from an African proverb: “If you just want to go fast, go alone. If you want to go far, go together.”

July 2019

Kanetsugu Mike
President & Group CEO
Identifying the leader for MUFG who can best navigate an ever more uncertain world.

The Group CEO nomination process

Q. Could you explain why Mr. Mike was appointed as the new CEO? Please also elaborate on the screening process and the circumstances surrounding this appointment.

In fiscal 2018, the Nominating and Governance Committee met on 13 separate occasions. The primary objectives of these meetings were to determine who would fill the Group CEO and key managerial positions at the holding company as well as top management positions at the Bank, the Trust Bank, the Securities HD and other Group subsidiaries. The committee also discussed succession plans with a focus on nurturing candidates for these important positions.

Following my assumption of the position of committee chair, the nominations of presidential candidates for the Bank and the Securities Business and a Group CEO candidate for the holding company went smoothly. This was largely due to the wealth of information and preparatory analysis provided before each committee session.

The committee has in place prescribed criteria regarding competencies, abilities, background and other desired attributes for specific positions. Based on these criteria, candidates are identified by executives and then classified into age groups. Outside directors, who account for the majority of the committee membership, proceed to assess the suitability of each individual. We have already compiled a list of candidates eligible to take up the aforementioned positions in the future. The lineup will, of course, be updated over time to secure best possible candidates in light of changes in the business environment. We are committed to maintaining this practice.

The nomination of Mr. Mike as the Group CEO was finalized over a series of seven committee sessions launched in summer 2018. Although the committee had already identified several CEO candidates in the course of regular succession plan reviews, this series of sessions focused on closely assessing each candidate for their personality, execution skills, past career and performance track record. We also commissioned an external firm to conduct a 360-degree assessment. These data sets were thoroughly reviewed in light of the prescribed criteria for the CEO position.

We then narrowed down the number of candidates and conducted face-to-face interviews with each individual. Finally, the committee prepared and submitted its recommendation with regard to the Group CEO appointment to the Board of Directors, which, in turn, approved it.

In the course of this process, we placed particular emphasis on ability to adapt to the current operating environment. First and foremost, MUFG is heading toward globalization. Currently, 40% of consolidated profits are accounted for by overseas operations. After MUFG completes overseas acquisitions in such countries as Indonesia, this figure may increase to more than 50%. For MUFG, it is therefore important to secure individuals who can take a management approach that is better suited to the globalized environment. Second, MUFG must remain relevant amid the emergence of FinTech and digitalization. Third, MUFG needs to adapt itself to changes in customer needs and employee awareness. In sum, this appointment of a new CEO has been aimed at securing an individual capable of accelerating the Group’s medium- to long-term initiatives designed to address these issues and, in the process, re-imagining MUFG. This is the most significant point.

The nomination of Mr. Mike was thus based on conclusions reached via careful and multifaceted discussions.

As a matter of fact, Mr. Mike’s past career boasts a diverse range of activity. He engaged in corporate finance at home and abroad while being involved in system- and administration-related operations as well as corporate planning. Moreover, he spearheaded the management integration of banks in Japan and Thailand. Another of his strengths is his abundant overseas experience in such countries as the United Kingdom, the United States and Thailand. Because of these traits, he was considered up to the mark for a leader of MUFG in terms of knowledge, skills and performance track record.

In addition, I believe that leaders must be resilient and optimistic if they are to successfully navigate businesses amid the harsh environment and prevailing sense of uncertainty about the future. Mr. Mike has the exactly that kind of personality. Furthermore, he is an open-minded leader who is willing to listen to the opinions of his staff at any time. This is also a very positive quality. As such, the committee determined that he is equipped with a number of credentials that are essential to today’s corporate leadership.

Dual-hat leadership as President & CEO of MUFG Bank

Q. Some people question MUFG’s rationale for allowing Mr. Mike to concurrently serve as President & Group CEO of the holding company and President & CEO of the Bank. Could you explain the committee’s reasoning regarding this?

From the governance perspective, it is not desirable to allow a single individual to concurrently serve as Group CEO of the holding company and President & CEO of the Bank, which represents the largest operating subsidiary of the MUFG Group. This was the unanimous view of all committee members.

Nevertheless, we identified four reasons to allow this dual-hat leadership.

First, the implementation of the medium-term business plan must be accelerated. This is MUFG’s most important task. In this light, we expect that Mr. Mike can exercise his leadership more strongly if he is allowed to concurrently fill two key positions.

Second, it has been only a year and a half since he assumed the position of President & CEO of the Bank. Because he has acquired an extremely favorable reputation among bank customers and employees, we concluded that in the interests of supporting the Bank’s businesses and maintaining its organizational vitality, it would be best if he continued to hold said position.

Third, although it was feared that dual-hat leadership would place an excessive burden on Mr. Mike, we have concluded that the appointment of Deputy Presidents would help resolve this issue. In particular, Mr. Hironori Kamezawa, who is quite capable of handling internal administration and is charged with spearheading digital transformation, is expected to offer strong assistance.

Lastly, we have determined that, despite the aforementioned concern about the Group’s governance, the appointment of Mr. Mike would not necessarily undermine it as both the holding company and the Bank are equipped with robust governance systems supported by boards of directors with multiple outside directors. These are the reasons why we agreed to allow the dual-hat leadership under these special circumstances.

Q. Thank you. Now, there is an opinion that the position of Chairman of the Board should be assumed by an external individual independent from any MUFG business units. What are your thoughts on this?

The committee discussed whether or not the Chairman position should be filled by an outside director. We are, of course, aware of the benefits of such appointments. However, whoever holds the position must also be knowledgeable about the Company’s overall operations and the latest trends among regulatory authorities in Japan and overseas as he or she presides over the selection of agenda items and the handling of discussions.
Management Message

An Interview with an Outside Director

Although I used to serve as an outside director myself at several different corporations, I believe that being the Chairman of MUFG’s Board of Directors entails particularly formidable tasks and is more challenging than equivalent positions at other companies. For example, MUFG is quite a large corporate group in terms of the business scope and operational diversity of its subsidiaries. Also, the Company’s network spans almost the entire globe. Moreover, MUFG must ensure strict compliance with complex financial regulations at home and abroad as well as robust relations with authorities. This task is unique to the financial industry.

With this in mind, we have concluded that from the viewpoint of improving MUFG’s corporate value, an individual equipped with business expertise at financial institutions and knowledge of regulations imposed by authorities must be better at handling the Board of Directors’ discussions and facilitating in-depth deliberation.

A Board boasting a diversity of backgrounds

Q. The latest lineup of outside directors includes three newly appointed individuals. What was the committee’s focus when it nominated new outside director candidates?

We believe that the composition of MUFG’s Board of Directors needs to be diverse and well-balanced in terms of its members’ backgrounds. Accordingly, the first keyword for the nomination of candidates is “specialty.” Board members include specialists in finance, accounting and legal affairs in addition to corporate managers like me. The second keyword is “diversity.” Currently, the Board of Directors includes three women. It also welcomed two foreign nationals as outside directors. They are from the United States and Thailand, both of which represent strategically important areas supporting MUFG’s overseas operations. The individual from Thailand, who had served as Governor of the Bank of Thailand, is female. The overall composition of the Board of Directors, in my opinion, is well-balanced. Thanks to the inclusion of foreign nationals in fiscal 2017, the Board of Directors has been better positioned to address each agenda item in depth.

Looking ahead, we will keep focusing on “specialty” and “diversity” in our future nominations of director candidates. Taking a look at our newly appointed outside directors, Ms. Mariko Fujii boasts extensive experience in finance. Mr. Kaoru Kato, who had served at NTT DOCOMO, INC., is expected to bring his insights into IT and consumer businesses and thereby help MUFG overcome its inexperience in these fields. Mr. Hirofumi Nornoto is also an experienced corporate manager as he is a former CEO of Tokyo Corporation, a major railway company in Japan.

In the course of selecting candidates, we also keep an eye out for individuals who can serve as chairs of the four committees operating under the Board of Directors while providing both new appointees and their predecessors with sufficient handover periods.

Q. How do you find foreign national candidates for outside directors?

MUFG’s day-to-day operations involve association with people from countries overseas. Also, MUFG’s management team members are acquainted with a broad range of businesspeople abroad. Moreover, the Company maintains the Global Advisory Board, which boasts a membership consisting of prominent individuals from the Americas, Europe and Asia. Thanks to these advantageous circumstances, MUFG is positioned to enjoy a broad range of options, and I believe that the Company is not likely to have any troubles with appointing candidates from among foreign nationals.

Q. Could you describe the atmosphere of Board meetings?

Before I joined MUFG’s Board of Directors five years ago, I speculated that it was probably a conservative organization disinclined to honest and open discussion. But that just wasn’t the case. MUFG has an open-minded culture that encourages its people to say what they really think and offer feedback. Furthermore, the Company is quite fast to act upon such feedback. This was beyond my expectations.

Currently, I serve as the chair of Independent Outside Directors Meetings that are usually held right after Board meetings. Held without the presence of the top management executives, Independent Outside Directors Meetings focus on obtaining a broad range of opinions from outside directors, addressing such matters as improving the content of presentation materials used at Board of Directors meetings and tackling the medium- to long-term management challenges the Company is now facing. Conclusions reached at these meetings are immediately reported to the Chairman and Group CEO. Thankfully, they are quick to incorporate these opinions, and I often find that the Board of Directors’ operations are improved accordingly at subsequent meetings.

In addition, some members asserted that the meeting length is too short to address the large number of agenda items discussed by the Board of Directors. The length of each Board of Directors meeting has thus been prolonged to one and a half business days. Although outside directors are all busy people, I nevertheless believe that this is a positive move in terms of securing robust governance.

I must also note that outside directors, including myself, benefit a lot from Board Educational Sessions that provide opportunities to acquire in-depth knowledge about the issues MUFG is confronting. For example, these sessions include status updates on the Company’s U.S. operations and the latest trends in FinTech. Themes for each session are determined based on requests from outside directors who are willing to learn more about specific subjects.

Lastly, outside directors are briefed on agenda items several days prior to each Board of Directors meeting. This briefing usually takes four to five hours, and contributes significantly to the quality of discussion undertaken at the subsequent Board of Directors meeting.

The development of governance systems is an unending voyage

Q. What challenges will the Board of Directors tackle with the initiative of outside directors?

Over the course of the five years since I joined MUFG’s Board of Directors, the Company has undergone a number of changes. Thanks to various measures it has implemented, MUFG has successfully settled its basic operational framework for the Board of Directors. Going forward, the Company must focus on improving the quality of the Board of Directors’ operations. The pursuit of sophisticated governance systems is an ongoing, unending voyage. Financial institutions like MUFG are facing a great number of challenges that must be addressed, while the surrounding business environment evolves at an astonishingly fast pace. That’s why MUFG directors are expected to take on an ever increasing number of agenda items, with frequent changes in lines and priorities, to be discussed at Board of Directors meetings and committee meetings.

I therefore believe that the most significant challenge is how to accurately address each item submitted for discussion.

With the aim of enhancing its governance systems, MUFG employs external consultants to conduct annual evaluations of the working practices of the Board of Directors. All the directors, including those in executive positions and those who play purely supervisory roles, are asked to submit their feedback on the effectiveness of the Board of Directors and key committees. More specifically, directors fill out questionnaires designed to draw out their opinions on such matters as whether the issues identified in the previous evaluations have been remedied or improved. This is followed by one-hour interviews with each individual. Results are discussed at a Nominating and Governance Committee meeting, and then reported to and deliberated by the Board of Directors. This process exemplifies various initiatives aimed at enhancing the effectiveness of the Board of Directors’ operations.

Q. Finally, could you share your thoughts on the candidates for taking over after Mr. Mike and the younger talent expected to lead the future of MUFG? Sometimes I feel that MUFG has an overabundance of excellent human resources. The Company has an outstanding pool of talent. However, no business sector is immune from the impact of radical societal changes now under way. Accordingly, it is important to accurately identify the best possible candidates with desired traits in light of the prevailing situation.

The Nominating and Governance Committee not only identifies future top management candidates, it prepares lists of candidates for key positions in subsequent generations. Outside directors, including myself, are intentionally creating opportunities to directly engage with those of younger generations at MUFG.

MUFG aims to remain an energizer for and a contributor to Japanese and global economies well into the future. To this end, stably securing excellent candidates who will, in turn, lead the Company from generation to generation is of critical importance. We will therefore periodically review and update the list of next-generation corporate leader candidates by giving due consideration to needs of the time. This is, I believe, another important mission the Nominating and Governance Committee is called to carry out.
Financial & Capital Management: Our Corporate Strategy

Business Portfolio Strategy and Financial & Capital Management

Customer confidence and trust represent the most important values for financial institutions like MUFG. As such, we must be able to back up perceived value with actual financial soundness. Investors also expect profitability and growth potential. Securing all three — soundness, profitability and growth — is critically important to our financial and capital management.

MUFG takes a “portfolio approach” to business management. This allows us to optimally combine operations with different profiles in terms of risk and return. In doing so, we strive to secure a stable profit stream, maintain financial soundness, and enhance ROE and our other profitability indices.

The diagram on the right provides an overview of MUFG’s business portfolio strategy. The vertical and horizontal axes represent market averages for ROE and gross profit growth ratio, respectively. Each MUFG business portfolio has been plotted. The size of each circle reflects the relative scale of business operations.

In recent years, MUFG has focused more and more on expanding businesses that occupy the upper right portion of the diagram. These businesses are expected to have higher ROE and achieve gross profit growth. In this way, the Company has been shifting the center of its entire business portfolio to high-profitability, high-growth fields.

Direction of MUFG’s Business Portfolio Shift

(Circle size indicates relative business scale as of end-FY2018)

Practicing Solid Financial & Capital Management to Secure Sustainable Growth

As Group CFO, I explain the results of our value creation initiatives and the challenges we face.

Financial & Capital Management:

In fiscal 2018, Year One of our Medium-term Business Plan (MTBP), we were able to achieve year-on-year growth in net interest income and net operating profits in our customer segments for the first time in four years. This came despite harsh business conditions, including the prolonged, ultra-low interest rate environment in Japan.

Managing a business portfolio strategy that ensures stable profits is also key to obtaining robust external credit ratings. We believe that this practice will help us reduce capital costs by making it easier to predict our future performance in terms of profits attributable to owners of parent.

Results of Financial Management and Challenges

In fiscal 2018, Year One of our Medium-term Business Plan (MTBP), we were able to achieve year-on-year growth in net interest income and net operating profits in our customer segments for the first time in four years. This came despite harsh business conditions, including the prolonged, ultra-low interest rate environment in Japan.

Here, I explain the business challenges we confront from financial and accounting viewpoints and describe measures we are taking to counter them.

Status of Deposit and Lending Operations in Japan and Overseas

In Japan, deposit and lending operations handled by the Retail & Commercial Banking Business Group (R&C) and the Japanese Corporate & Investment Banking Business Group (JCIB) are being negatively affected by shrinking differences in yields between lending and deposit rates. This is mainly due to the Bank of Japan’s ongoing negative interest rate policy and other unconventional monetary easing measures.

Overseas, however, differences in yields between lending rates and deposit rates at the Global Corporate & Investment Banking Business Group (GCIB) and the Global Commercial Banking Business Group (GCB), as well as at JCIB’s overseas business units in charge of Japanese corporate clients, have expanded, mainly due to higher interest rates.

Maintaining a business portfolio strategy that ensures stable profits is also key to obtaining robust external credit ratings. We believe that this practice will help us reduce capital costs by making it easier to predict our future performance in terms of profits attributable to owners of parent.
Management Message

Message from the CFO

Foreign Currency Balance Sheet Management & Reducing Low-Profitability Assets
Overseas operations are currently supported by robust demand and are therefore expected to drive growth in net interest income. However, we must also secure foreign currency liquidity and manage the foreign currency balance sheet.

Although aggregate deposits far exceed aggregate lending at MUFG, foreign currency lending is larger than foreign currency deposits. Accordingly, we not only strive to secure foreign currency deposits, but also to utilize other methods for the stable funding of foreign currencies, taking a long-term approach rather than relying on short-term funding. For example, the Company issues foreign currency-denominated bonds with external TLAC eligibility* (the average duration is slightly less than seven years), and also engages in medium- to long-term currency swap transactions.*

We also aim to enhance returns from foreign currency-denominated assets. To this end, we are actively replacing low-profitability assets with high-profitability assets, through Origination & Distribution (O&D). In fiscal 2018, this approach resulted in the reduction of approximately ¥1.4 trillion worth of low-profitability foreign currency-denominated assets.

Asset Quality
The recent global economic recovery is helping our credit costs to fall. This trend also applies to our partner banks. No specific problems with their asset quality have been found. Krungsri’s non-performing loan ratio is the lowest among Thailand’s five major banks.

The balance of leveraged loans is also maintained at a limited level. Moreover, holdings of CLOs* at the Bank and the Trust Bank consist of only “AAA”-rated quality, and are purchased mainly in held-to-maturity accounts. Accordingly, we consider the financial risk posed by these instruments to be insignificant.

In fiscal 2019, however, we expect to see credit costs total ¥230.0 billion, up from the past several years. As the current credit cycle is thought to be near the end of its recovery phase, we will remain vigilant for credit risks going forward.

Efficient Utilization of Expenses and Management Resources
We estimate that the expense ratio will temporarily increase to over 70% during the current MTBP. This is due to investments directed at digital transformation and other strategic purposes, and rising compliance and regulatory costs associated with countermeasures against global financial crimes, including money laundering. Given this estimate, fiscal 2018 operating results fell within the plan.

We expect a significant decrease in total employee headcount due to the inevitable retirement of large numbers of employees hired decades ago, coupled with limits on numbers of new recruits. Robotic Process Automation (RPA) and other digital technologies will be utilized to reduce the equivalent workload of more than 10,000 employees by end-fiscal 2023.

We will accelerate the streamlining of the domestic channel on the same timeline, aiming to reduce domestic bank branches by 35% (vs. our previous target of 20%). In the U.S., MUFG Union Bank has concentrated its back office functions in Arizona. We remain assiduously engaged in operational streamlining.

Fiscal 2019 Financial Targets
In fiscal 2019, we expect that severe conditions, including Japan’s prolonged ultra-low interest rate environment, will continue. We nevertheless aim to achieve year-on-year growth in net operating profits as we expect positive effects from Bank Danamon’s consolidation, as well as ongoing operational streamlining under the MTBP.

The fiscal 2019 target for profits attributable to owners of parent has been set at ¥900.0 billion, above the comparable fiscal 2018 figure of ¥872.6 billion.

Linking Financial Targets and Compensation
Currently, MUFG’s stock price is stagnant, with a price-to-book ratio (PBR) under 1.0. However, MUFG will ensure that directors and officers are acutely aware of the risks voiced by shareholders. The Company has also adopted a system to determine compensation in a way that directly reflects operating results vis-à-vis financial targets.

Fiscal 2019 Targets

<table>
<thead>
<tr>
<th></th>
<th>Results</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2018</td>
<td>FY2019</td>
</tr>
<tr>
<td></td>
<td>Full-year</td>
<td>Interim</td>
</tr>
<tr>
<td>Consolidated performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Billions of yen)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating profits</td>
<td>1,078.5</td>
<td>530.0</td>
</tr>
<tr>
<td>Total credit costs</td>
<td>(5.8)</td>
<td>(80.0)</td>
</tr>
<tr>
<td>Ordinary profits</td>
<td>1,348.0</td>
<td>680.0</td>
</tr>
<tr>
<td>Profits attributable to</td>
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<td></td>
</tr>
<tr>
<td>owners of parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>872.6</td>
<td>450.0</td>
</tr>
</tbody>
</table>

Capital Triangle

Maintaining Solid Equity Capital and External Credit Ratings
We aim for a CET1 ratio of approximately 11% in order to maintain solid equity capital.

Under global financial regulations, MUFG is required to maintain a CET1 ratio at least 8.5%; the company’s 11% target ensures that external credit ratings remain “single-A” or higher.
Solid external credit ratings are essential to securing long-term stable non-JPY funding. In order to steadily increase dollar holdings via medium- to long-term currency swap transactions, external credit ratings should be equivalent to key European and U.S. financial institutions, as our counterparts.

Robust external ratings are also important in terms of satisfying Total Loss-Absorbing Capacity (TLAC) requirements (applicable from March 31, 2019).

We are determined to maintain our “single-A” or higher ratings as we aim to secure our ability to issue foreign bonds in a way that meets TLAC requirements.

In fiscal 2018, MUFG raised regulatory capital totaling approximately ¥2.0 trillion, including a portion raised by foreign bonds and subordinated debt issuance, to satisfy external TLAC requirements. As of March 31, 2019, the Company’s external TLAC ratio was 16.16%, above the 16% minimum regulatory requirement. The minimum regulatory requirement is expected to be raised to 18% on March 31, 2022.

See pages 33 and 101 for more details.

Strategic Investments for Sustainable Growth and Optimization of the Investment Portfolio

For M&A and other growth investments via the Strategic Investments for Sustainable Growth and See pages 35 and 101 for more details

For M&A and other growth investments via the Strategic Investments for Sustainable Growth and

See pages 35 and 101 for more details

Raised to 18% on March 31, 2022.

Minimum regulatory requirement is expected to be raised to 18% on March 31, 2022.

Further Enhancement of Shareholder Returns

As Group CFO, I am acutely aware of our mission to maintain capital discipline. I closely examine the profitability of strategic investments and judge their worth. At MUFG, each investment is carefully examined to determine if the expected return on investment will exceed the cost of capital within an allotted time frame. Existing strategic investments are also periodically reviewed to ensure optimization. Our most recent results of investment and divestment appear at the lower left.

Further Enhancement of Shareholder Returns

In line with the company’s basic policies for shareholder returns, MUFG 1) has positioned share dividends as the primary means for such returns while aiming for stable and sustainable increases in dividends, with the goal of achieving a 40% payout ratio target by end-fiscal 2023; 2) has taken a flexible stance toward executing share repurchases and 3) will limit treasury shares to less than approximately 5% of the total issued share count. Shares that exceed this amount will be canceled.

Based on these policies, MUFG paid a full-year dividend of ¥22 per share for fiscal 2018, an increase of ¥3 per share from the previous fiscal year. For fiscal 2019, the Company plans to pay a full-year dividend of ¥25 per share for an estimated dividend payout ratio of approximately 36%.

In fiscal 2018, MUFG expended ¥150.0 billion to execute share repurchases.

Looking ahead, we will strive to steadily increase cash dividends and achieve our dividend payout ratio target of 40% at the earliest possible date. Simultaneously, we will continue to maintain a tight grip on capital management. In doing so, we will strive to enhance the content of shareholder returns by, for example, flexibly executing share repurchases.

Divestment of Equity Holdings

Equity holding divestment is a key capital management measure, as it frees up capital resources and helps reduce financial risk. Our ongoing policy calls for limiting the ratio of equity holdings in the total balance of Tier 1 capital to approximately 10% by end-fiscal 2020. On an acquisition-cost basis, this is equivalent to a reduction of approximately ¥800.0 billion.

Under this policy, the acquisition cost of divested equity holdings since fiscal 2015 now totals ¥594.0 billion. As a result, the ratio of equity holdings to total Tier 1 capital has declined to 13.4% as of March 31, 2019. Going forward, we aim to further divest of our equity holdings while engaging in dialogue with our corporate clients to secure their understanding.

Reduction of Equity Holdings

Reduction of equity holdings (Trillions of yen)

The ratio reflects the amount of equity holdings subject to divestment, as agreed upon with corporate clients, but not yet actualized.

Compliance with Tax Regulations and Tax Planning

MUFG recognizes that as a corporate citizen, putting its best effort into making appropriate tax payments is an important duty. With this in mind, MUFG strives to enhance corporate governance with regard to tax compliance and to maintain and enhance tax compliance awareness via employee education and training, among other means.

In addition, we aim to comply with the spirit of tax legislation, the BEPS Action Plan, OECD Transfer Pricing Guidelines, and other international rules on taxation. We prioritize compliance with tax laws in the course of tax planning, ensuring appropriate payment. We have been making digital-related investments using the IoT tax system (IT Investment Incentive for “Connected Industries”) since fiscal 2018.

Dialogue with Shareholders and Other Stakeholders

Today, MUFG’s operations are becoming increasingly diverse, both by region and by business type.

Accordingly, we believe that providing our stakeholders with accurate and timely explanations about our operations and strategies is important, and helps them to gain a good overview of what MUFG is doing.

In line with this belief, senior management visited domestic and overseas investors during fiscal 2018. The group heads of six business groups also participated in an Investors Day event held in July 2018, and two outside directors (both foreign nationals) held face-to-face dialogues with investors at a September ESG seminar focusing on governance. We offered a presentation on MUFG’s digital strategies in February 2019.

Stance on IR/RS Initiatives, ESG Issues and SDGs

Dialogue with our stakeholders, including shareholders, investors and ratings agency representatives often provides valuable opportunities and insights. Going forward, we will focus on maintaining such dialogue. We will step up both investor relations (IR) and shareholder relations (SR) engagement with those charged with exercising voting rights. We will also place greater emphasis on environmental, social, and governance (ESG) issues while advocating for U.N. Sustainable Development Goals (SDGs).

Stakeholder opinions are shared among Board members and given due consideration in the course of business operations and capital management. We always welcome frank opinions about MUFG.

Looking ahead, we are committed to practicing financial and capital management aimed at securing our sustainable growth. We ask for your continuous support in this endeavor.
Consolidated Income Statement Summary

Consolidated Net Operating Profits
Consolidated gross profits for the fiscal year ended March 31, 2019 decreased ¥129.5 billion from the previous fiscal year. This was due to a decrease in net fees and commissions, reflecting such factors as sluggish investment product sales, as well as a decline in net trading profits, growth in net interest income from foreign currency-denominated loans and deposits.

General and administrative expenses increased by ¥25.7 billion from the previous fiscal year. Although expenses associated with domestic operations remained virtually flat thanks to cost control efforts, expenses for overseas operations increased due to the expansion of these operations and rising regulatory costs.

As a result, consolidated net operating profits fell by ¥154.2 billion from the previous fiscal year.

Credit Costs
Total credit costs for the fiscal year ended March 31, 2019 decreased by ¥40.2 billion from the previous fiscal year, mainly due to a major reversal of allowance for credit losses.

Net Gains (Losses) on Equity Securities
Net gains on equity securities decreased ¥20.5 billion from the previous fiscal year. This was due to a decrease in net operating profits in connection with the review of strategic investments, despite the recording of gains on sales of equity holdings, on par with those recorded in the previous fiscal year.

Profits from investments in affiliates increased ¥41.5 billion to ¥284.3 billion, thanks to Morgan Stanley's growing profit contribution.

Taking the aforementioned factors into account, ordinary profits decreased by ¥114.3 billion from the previous fiscal year.

Profits Attributable to Owners of Parent
Net extraordinary losses amounted to ¥202.7 billion, up ¥149.6 billion from the previous fiscal year, due to an increase in losses on impairments to fixed assets from the system integration of Mitsubishi UFJ NICOS.

Net extraordinary losses amounted to ¥202.7 billion, thanks to Morgan Stanley’s significant increase in net operating profits and an improvement in credit costs. GCB also experienced an increase in ROE due to growth in net operating profits.

Looking ahead, each business group is determined to steadily implement measures aimed at achieving its respective ROE target for fiscal 2020, the final year of the company’s MTBP.

Please refer to page 26-01 for a summary of operating results by business group.

Net operating profits by business segment, calculated for internal management accounting purposes.

Breakdown of Changes in Net Operating Profits by Business Segment

Results by Business Segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Net operating profits (Billions of yen)</th>
<th>Expense ratio</th>
<th>ROE*</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;C</td>
<td>356.7</td>
<td>77%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>GCB</td>
<td>135.8</td>
<td>64%</td>
<td>6%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>GCB</td>
<td>262.7</td>
<td>64%</td>
<td>6%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>AMICS</td>
<td>71.0</td>
<td>63%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Global Markets</td>
<td>339.5</td>
<td>63%</td>
<td>6%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*1 ROE, excluding the impact of impairment losses on fixed assets of Mitsubishi UFJ NICOS, is 6%.

*2 Including cancellation of the amount of inter-group dividend receipts, net gains on sales of equity securities due to a subsidiary’s share repurchase, and equity method income from other affiliate companies.

*3 ROE, excluding the impact of losses on sales of Standard Life Aberdeen shares, is 16%.
Consolidated Balance Sheet Summary

**Loans / Deposits**
Loans totaled ¥107.7 trillion, a slight decrease from March 31, 2018. Domestic individual and corporate loans increased by ¥1.7 trillion and ¥1.2 trillion, respectively, with the overall deposit balance amounting to ¥180.1 trillion.

Excluding the impact of foreign exchange fluctuations, the balance of non-JPY loans for overseas borrowers remained unchanged, while overseas deposits increased ¥1.5 trillion from the previous fiscal year-end, narrowing the gap between non-JPY deposits and lending balances.

The non-performing loan (NPL) ratio—the ratio of risk-monitored loans to total loans—decreased, mainly due to an upward revision of the credit rating of large borrowers. As a result, the NPL ratio decreased 0.27% to 0.90%—the lowest level in 10 years—illustrating the outstanding soundness of MUFG’s loan portfolio.

**Investment Securities**
The balance of available-for-sale securities increased by ¥5 trillion, due to such factors as a ¥4 trillion increase to reflect growing emphasis placed on foreign bond positions.

Net unrealized gains on available-for-sale securities remained robust at more than ¥3 trillion. Although net unrealized gains on domestic equity securities decreased ¥455.8 billion, due to progress in the divestment of equity holdings and a decline in stock prices, net unrealized gains on foreign bonds increased by ¥312.7 billion, a significant increase.

**Deposits (Period-end balance)**
Deposits, including balances held in overseas branches, MUFG, HangYe, the Bank (China), Bank of Malaysia (BM), and the Bank (Europe), increased ¥3,627.5 billion from March 31, 2018, reflecting increases in foreign deposits and fund remittances.

**Available for-Sale Securities with Fair Value**

<table>
<thead>
<tr>
<th>Available for-Sale Securities with Fair Value</th>
<th>Mar. 31, 2019</th>
<th>Changes from Mar. 31, 2018</th>
<th>Mar. 31, 2018</th>
<th>Changes from Mar. 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>60,578.6</td>
<td>5,181.3</td>
<td>3,335.6</td>
<td>187.7</td>
</tr>
<tr>
<td>Domestic corporate securities</td>
<td>4,953.3</td>
<td>(387.6)</td>
<td>2,764.3</td>
<td>(455.8)</td>
</tr>
<tr>
<td>Domestic bonds</td>
<td>27,361.2</td>
<td>280.5</td>
<td>357.4</td>
<td>51.9</td>
</tr>
<tr>
<td>Domestic bonds (includes government bonds)</td>
<td>21,542.3</td>
<td>(308.2)</td>
<td>278.9</td>
<td>19.9</td>
</tr>
<tr>
<td>Others</td>
<td>28,364.0</td>
<td>0.488.4</td>
<td>213.8</td>
<td>222.1</td>
</tr>
<tr>
<td>Foreign exchange bonds</td>
<td>114.8</td>
<td>(219.6)</td>
<td>52.5</td>
<td>16.6</td>
</tr>
<tr>
<td>Foreign exchange bonds (includes government bonds)</td>
<td>21,532.9</td>
<td>4,084.5</td>
<td>173.6</td>
<td>312.7</td>
</tr>
<tr>
<td>Others</td>
<td>6,716.2</td>
<td>1,623.4</td>
<td>(12.3)</td>
<td>(107.2)</td>
</tr>
</tbody>
</table>

Source: Muji Co., Ltd.

**RWA increased by ¥3,627.5 billion from March 31, 2018, reflecting increases in credit-related RWA and floor adjustments.**

**Capital Adequacy**
The common equity tier 1 capital ratio, the most important indicator representing the capital adequacy of financial institutions, stood at 11.4% on an estimated basis after reflecting the RWA increase calculated on the finalized Basel III reforms basis, and, therefore, suggests sufficient capital adequacy vis-à-vis the MTB target of around 11%.

In addition, the leverage ratio amounted to 4.94%, above the regulatory requirement of 3%.

**TLAC Ratio**
MUFG is subject to the TLAC regulations introduced on March 31, 2019.

These regulations require G-SIBs to retain sufficient loss-absorbing and recapitalization capacity available in resolution (TLAC-eligible senior debt).

MUFG aims to enhance its external TLAC capital by issuing TLAC-eligible senior bonds worth approximately ¥1.6 trillion, as well as perpetual subordinated debt and dated subordinated debt totaling approximately ¥0.4 trillion.

As a result, the external TLAC ratio as of March 31, 2019 (see the graph on the right) was 18.16%, above the regulatory requirement of 16%.

**Risk Weighted Assets (RWA)**
RWA increased by ¥3,627.5 billion from March 31, 2018, reflecting increases in credit-related RWA and floor adjustments.

**Consolidated Balance Sheet Summary**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>107,736.0</td>
<td>5,181.3</td>
<td>3,335.6</td>
<td>187.7</td>
</tr>
<tr>
<td>Domestic bonds</td>
<td>29,361.2</td>
<td>280.5</td>
<td>357.4</td>
<td>51.9</td>
</tr>
<tr>
<td>Domestic bonds (includes government bonds)</td>
<td>28,902.7</td>
<td>(308.2)</td>
<td>278.9</td>
<td>19.9</td>
</tr>
<tr>
<td>Other bonds</td>
<td>24,065.0</td>
<td>0.488.4</td>
<td>213.8</td>
<td>222.1</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>114.8</td>
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<td>1,623.4</td>
<td>(12.3)</td>
<td>(107.2)</td>
</tr>
</tbody>
</table>

**Capital Adequacy**

<table>
<thead>
<tr>
<th>Common Equity Tier 1 capital ratio</th>
<th>Mar. 31, 2019</th>
<th>Changes from Mar. 31, 2018</th>
<th>Mar. 31, 2018</th>
<th>Changes from Mar. 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 capital ratio</td>
<td>11.4%</td>
<td>11.4%</td>
<td>11.4%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Tier 1 capital ratio</td>
<td>13.9%</td>
<td>13.9%</td>
<td>13.9%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Total capital ratio</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>4.94%</td>
<td>4.94%</td>
<td>4.94%</td>
<td>4.94%</td>
</tr>
</tbody>
</table>

**Risk Weighted Assets (RWA)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Weighted Assets (RWA)</td>
<td>117,048.6</td>
<td>5,181.3</td>
<td>3,335.6</td>
<td>187.7</td>
</tr>
<tr>
<td>Credit risk</td>
<td>90,843.0</td>
<td>90,843.0</td>
<td>90,843.0</td>
<td>90,843.0</td>
</tr>
<tr>
<td>Market risk</td>
<td>2,920.5</td>
<td>2,920.5</td>
<td>2,920.5</td>
<td>2,920.5</td>
</tr>
<tr>
<td>Operational risk</td>
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<td>8,107.2</td>
<td>8,107.2</td>
<td>8,107.2</td>
</tr>
<tr>
<td>TLAC buffer</td>
<td>13,201.5</td>
<td>13,201.5</td>
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<tr>
<td>Tier 1 capital ratio</td>
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</tbody>
</table>

**TLAC Ratio**

<table>
<thead>
<tr>
<th>TLAC Ratio</th>
<th>Mar. 31, 2019</th>
<th>Changes from Mar. 31, 2018</th>
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<td>4.94%</td>
<td>4.94%</td>
<td>4.94%</td>
<td>4.94%</td>
</tr>
</tbody>
</table>
Value Creation Initiatives

Business Overview

MUFG Net Operating Profits
¥1,072.3 billion*1, *2

Global Markets Business Group
¥251.2 billion

Retail & Commercial Banking Business Group (R&C)
¥298.8 billion

Asset Management & Investor Service Business Group (AM/IS)
¥78.4 billion

Global Commercial Banking Business Group (GCB)
¥220.4 billion

Global Corporate & Investment Banking Business Group (GCIB)
¥152.7 billion

Japanese Corporate & Investment Banking Business Group (JCIB)
¥249.7 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.

*1 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 at end of FY2018 basis

*2 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.

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.

Naoki Hori
Group Head, Retail & Commercial Banking Business Group

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.

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, MUMIS 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.
Business Overview

Value Creation Initiatives

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 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 offerings 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, MUNIS 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, 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 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.

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 private enterprises.

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.

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

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Corporate-focused approach

Managers’ concerns

Stable operating base
Sales growth
Cost reduction

Strategic proposals

Global expansion
Settlement
Business matching
Funding
Real estate
Corporate asset management

Owners’ concerns

Successors and succession costs
Future of their businesses
Fund liquidity
Higher profitability

Owners’ focus approach

The Bank
M&A (sell)
IPO

The Trust Bank
Real estate
Inheritance
Individual asset management

MUFG Report 2019
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.

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 diversify 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*

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.

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.

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.

* 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
* Calculated based on net profits and excludes non-JPY mid- to long-term funding costs
* Including real estate securitization, etc.

Our Medium- to Long-Term Strategy

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* Including real estate securitization, etc.
Value Creation Initiatives

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 accurate. 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 Itô 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.

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, Name-machi, one of Fukushima’s disaster-hit communities. This resulted in the creation of the joint venture with the Bank, 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.

Our vision is to “Become a Top-tier Global Debt House” by providing our global clients with a comprehensive set of solutions that meet 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.

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

Fiscal Year 2018 Results

<table>
<thead>
<tr>
<th>Gross profits (left axis) (Billions of yen)</th>
<th>Net operating profits (right axis) (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>416.6</td>
<td>153.7</td>
</tr>
<tr>
<td>432.9</td>
<td>152.6</td>
</tr>
</tbody>
</table>

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.

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.

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

<table>
<thead>
<tr>
<th>Distribution Amount / Ratio*</th>
<th>Distribution Amount (left axis) (Billions of yen)</th>
<th>Distribution Ratio (right axis) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>46</td>
<td>53</td>
</tr>
<tr>
<td>2018</td>
<td>19.6</td>
<td>22.8</td>
</tr>
<tr>
<td>2020</td>
<td>12.1</td>
<td>16.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gaps between Non-JPY Deposits and Loans*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Amount / Ratio*</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

* Distribution Amount = Arrangement amount - Final hold amount (syndicated loan, project finance, securitization, aviation, etc.) - Securities issuance amount of DCM, ABS, etc.

* Gaps between Non-JPY Deposits and Loans = Total amount of loans to global large corporate clients.

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

* Based on balances at fiscal year-end.
**Value Creation Initiatives**

**Business Overview**

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 developed a framework to classify corporate profitability assets in growth fields. Specifically, we are recycling our portfolio to high-quality to manage non-JPY funding costs and liquidity constraints.

"Profitability" is the amount of their profits. Relationships below the profitability threshold are placed under monitoring.

**Portfolio Recycling**

- **Low-profitability assets**
  - Sale of low-profitability loans, etc.
  - Approx. ¥800 billion

- **High-profitability assets**
  - Acquisition of Aviation Finance business
  - Approx. ¥716.3 billion

**Monitoring areas**

- **Profits**
  - 101 customers
  - Approx. 370 customers

**Fee Revenues** by Product (Billions of yen)

<table>
<thead>
<tr>
<th>2007</th>
<th>2018</th>
<th>2020</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>100</td>
<td>50</td>
<td>0</td>
</tr>
</tbody>
</table>

*Estimated impact on net operating profits

**Outline of the Acquisition Deal**

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

**Average Lending Margin for New Transactions**

- Average of GCIB*
- Average of DVB Bank

<table>
<thead>
<tr>
<th>Year</th>
<th>GCIB</th>
<th>DVB Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.08</td>
<td>2.18</td>
</tr>
<tr>
<td>2016</td>
<td>1.13</td>
<td>2.23</td>
</tr>
<tr>
<td>2017</td>
<td>1.18</td>
<td>2.22</td>
</tr>
</tbody>
</table>

*Based on data compiled for internal managerial purposes.

**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.

*Products with interest rates that can be reviewed based on borrowers’ accomplishments via ESG-linked sustainability targets.

**How MUFG Addresses ESG Issues**

- **Global warming & climate change**
- **Sustainability-linked loan**

**Acquiring the Aviation Finance-Related Business**

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

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**

MUFG** posted an increase in profits due to an incremental rise in deposit income and non-interest income. At Krungsri (Bank of Ayudhya), each segment grew steadily, mainly in the retail sector, as interest income increased due to the accumulation of loan outstanding, such as auto loan.

Takayoshi Futae
Group Head, Global Commercial Banking Business Group

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

MUFG 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.

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.

* MUFG Union Bank’s nationwide retail financial services platform, which comprises retail Internet banking and lightning branch.

** Fiscal Year 2018: April 1, 2018 – March 31, 2019

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MUFG’s Equity Stake in Partner Banks and Their Domestic Rankings

<table>
<thead>
<tr>
<th>Partner bank</th>
<th>Voting right(1)</th>
<th>Ranking(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The United States</td>
<td>UnionBank</td>
<td>100%</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td>76.8%</td>
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MUFG’s Equity Stake in Partner Banks and Their Domestic Rankings

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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.

Krugnsri’s Operating Results since MUFG’s Investment

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Profit attribute to owners of the parent (Billions of THB)</td>
<td>25</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>45</td>
</tr>
</tbody>
</table>

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).

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.

Krugnsri (Bank of Ayudhya) in Thailand is responding to microfinance and nano-finance needs through its microfinance subsidiaries Hattha Kaksekar Limited (hereafter referred to as HKL) and Ngern Tid Lor Co., Ltd. (hereafter 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.

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

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.

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

Fiscal Year 2018 Results

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.

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.

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 contribution pension plans have risen.

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

Value Creation Initiatives

Business Overview

Expense ratio\(^*\) 21% 6\(^%\)\(^*\)

ROE 6\(^%\)\(^*\)

Fiscal Year 2018 Gross Profit Breakdown

<table>
<thead>
<tr>
<th>Fiscal Year 2018 Results</th>
<th>(Billions of yen)</th>
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</tr>
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<tbody>
<tr>
<td>Gross profit (left axis)</td>
<td>189.3</td>
<td>202.3</td>
</tr>
<tr>
<td>Net operating profit (right axis)</td>
<td>71.1</td>
<td>78.1</td>
</tr>
<tr>
<td>Expense ratio(^*)</td>
<td>62%</td>
<td>61%</td>
</tr>
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</table>

\(^*\) Based on net profit.

\(^*\) ROE calculated excluding the impact of losses on sale of Standard Life Aberdeen shares is 19%.

Our Medium- to Long-Term Strategy

Balance of Alternative Products\(^*\)

Balance of Global IS (Billions of U.S. dollars)

<table>
<thead>
<tr>
<th>Balance of DB(^<em>) Pension Trusts/ New Enrollment in DC(^</em>)</th>
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</tr>
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<tbody>
<tr>
<td>Balance of DB (left axis)</td>
<td>538</td>
</tr>
<tr>
<td>New enrollment in DC (right axis)**</td>
<td>617</td>
</tr>
</tbody>
</table>

Balance of Alternative Products\(^*\)

| Balance of real estate and other low-liquidity investment products developed in house |
|---------------------------------|------------------|
| 2017                            | 180.0            |
| 2018                            | 261.1            |
| 2020                            | 446.0            |
| 2023                            | 660.0            |

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\(^*\) Defined benefit pension plans.

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\(^*\) Cumulative growth since April 2017.

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Value Creation Initiatives

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)

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 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 investment 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 investors 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%.
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 AIA 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.

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.

Masamichi Yasuda
Group Head, Global Markets Business Group

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** and secured finance***.

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.** 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.

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

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.
**Value Creation Initiatives**

**Business Overview**

**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 this way, we will further expand our institutional investors business.

**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&B 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.

**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.
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.

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.

Utilization of GO-NET
Important Issues Concerning Value Creation

Initiatives for Addressing ESG Issues toward Sustainable Growth

MUFG aims to help create a sustainable society and realize United Nations Sustainable Development Goals (SDGs) through its business activities. To this end, we have identified a number of environmental and social issues of concern at home and abroad and determined priority issues to be addressed by MUFG.

Currently, each business group has incorporated these priority issues into their business strategies and is pushing forward with initiatives to address them.

Priority Issues MUFG Must Address

1. Aging population & low birth rate
2. Business incubation & job creation
3. Social infrastructure & town planning
4. Global warming & climate change
5. Financial innovation
6. Workstyle reforms
7. Cross-sectoral environment and social issues

Endorsement of International Sustainability Initiatives

*1 Endorsed by the Bank  *2 Endorsed by the Trust Bank and Mitsubishi UFJ Kokusai Asset Management  *3 Endorsed by the Trust Bank
Important Issues Concerning Value Creation

Initiatives for Addressing ESG issues toward Sustainable Growth

Aware of both opportunities and risks arising from ESG issues, MUFG is striving to help resolve environmental and social issues through its business activities.

As part of our mission as a financial institution, we have set Sustainable Finance Goals to contribute to the realization of international goals specified by the Paris Agreement* and those identified by United Nations SDGs. Moreover, we established the MUFG Environmental and Social Policy Framework aimed at providing guidance to our business activities.

* A multilateral international agreement on climate change that was adopted in December 2015 in Paris, where the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) was held.

Aiming to facilitate the creation of a sustainable society and realization of SDGs via its financial services, MUFG has committed to extending a total of ¥20 trillion for sustainable finance over a period spanning from fiscal 2019 to fiscal 2030 (of this, ¥8 trillion will be used for environmental finance).

Primary business fields eligible for financing

**Environmental**
- Businesses contributing to the popularization of renewable energy
- Businesses contributing to the alleviation of climate change impact, such as green building projects

**Social**
- Businesses contributing to the development of startups and job creation
- Businesses contributing to the alleviation of poverty
- Businesses contributing to the energizing of local communities and regional revitalization
- Fundamental service businesses, including those involved in basic infrastructure such asable transport, waterworks, and airports, and essential services such as hospitals, schools and police

**Promotion and Popularization of Renewable Energy**

MUFG is acting as project finance arranger and lender for solar, hydroelectric, wind and geothermal power generation projects. In these ways, we serve as a driving force behind the dissemination of renewable energy around the world.

Thanks to these efforts, in 2018 we ranked first on the global private finance lead arrangers league table in the field of renewable energy project financing. We have held this position for three consecutive years.

We will achieve our Sustainable Finance Goals through these efforts.

**MUFG’s Track Record and Ranking as a Finance Arranger in the Renewable Energy Sector**

<table>
<thead>
<tr>
<th>Year</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.1</td>
<td>2.0</td>
<td>2.6</td>
</tr>
<tr>
<td>2014</td>
<td>2.9</td>
<td>4.3</td>
<td>3.9</td>
</tr>
<tr>
<td>2015</td>
<td>1st</td>
<td>1st</td>
<td>1st</td>
</tr>
</tbody>
</table>

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

**Setting a Sustainable Finance Goals**

**Applying the MUFG Environmental and Social Policy Framework**

MUFG recognizes environmental and social risks arising from operations undertaken by its Group companies as important management issues requiring serious attention. Based on the “MUFG Environmental Policy Statement” and “MUFG Human Rights Policy Statement,” the MUFG Environmental and Social Policy Framework is designed to ensure that due consideration is given to environmental and social issues in the course of its financing.*

In May 2019, we revised the policy framework, taking into account various external concerns, such as the international community’s call for more robust climate change countermeasures and stakeholders’ feedback on environmental and social issues. The revised policy framework includes more stringent restrictions on financing for the coal fired power generation sector.

Going forward, we will regularly review this policy framework and upgrade it in a way that conforms with changes in business activities and the operating environment.

* Including the provision of credit and the underwriting of bonds and equities

**Outline of the Revised Environmental and Social Policy Framework**

### Restricted

- **Coal-fired power generation sector**
  - MUFG will not provide financing for new coal-fired power generation projects once the revised framework takes effect.
  - Exceptions may be considered where we will take into consideration the energy policies and circumstances of the host countries, international standards and the use of other available technologies when deciding whether to provide financing.
  - We also support the adoption of advanced technologies for high-efficiency power generation and Carbon Dioxide Capture and Storage (CCS) technologies that contribute to the reduction in the emission of greenhouse gases (GHGs).

- **Restricted transactions**
  - When financing is considered, we request our clients to certify the relevant operations according to internationally recognized certification organizations.

- **Asset management business**
  - In its asset management business, MUFG has established the MUFG AM Responsible Investment Policy concerning environmental and social initiatives.
  - The policy was prepared in accordance with the six principles of the Principles for Responsible Investment (PRI), based on our fiduciary duty to clients who entrust their capital to us.

Please also refer to a news release issued by MUFG on May 15, 2019 to see details regarding revisions to the MUFG Environmental and Social Policy Framework.
Initiatives to Counter Global Warming and Climate Change

Acutely aware of the importance of climate-related financial disclosure, MUFG has declared its support of relevant recommendations formulated by the Task Force on Climate-related Financial Disclosures (TCFD), a special taskforce established by the Financial Stability Board (FSB). In line with these recommendations, we are working to enhance the content of information disclosure.

Goverance

MUFG’s Governance Structure for Countering Climate Change
At MUFG, the Corporate Social Responsibility Committee operates under the Executive Committee, regularly engages in the deliberation of the Company’s policies on and the status of initiatives to manage opportunities and risks arising from environmental and social issues, including climate change. Furthermore, the Risk Management, Loan and Investment and Credit committees also discuss specific themes associated with climate change. Conclusions reached by these committees are reported to the Executive Committee and, on an as necessary basis, to the Board of Directors.

In fiscal 2018, the Board of Directors received reports on the revisions to the MUFG Environmental and Social Policy Framework and the status of environmental financing initiatives.

Strategy

MUFG recognizes climate change countermeasures and other environmental initiatives as important management issues. In line with this recognition, we established the MUFG Environmental Policy Statement, which includes MUFG’s policies on climate change. Moreover, we have positioned global warming & climate change among our environmental and social priorities. We are thus endeavoring to address these issues while giving due consideration to both opportunities and the risks arising from them.

Opportunities—Supporting the Transition to a Low-Carbon Society
We serve as a finance arranger and lender for renewable energy projects while actively providing consulting services aimed at assisting clients in their climate change countermeasures as well as assistance in the issuance of Green Bonds. By doing so, we support the transition to a low-carbon society from the aspect of finance.

Risks—Transition Risks and Physical Risks
Clients to whom MUFG has provided credits may be exposed to risks arising in the course of the transition to a low-carbon society, such as stricter regulation and the introduction of low-carbon technologies (transition risks). They can also be exposed to risks arising from physical damage due to the growing occurrences of climate change-induced natural disasters and abnormal weather (physical risks). If these risks were to impact the clients’ businesses or financial conditions, MUFG’s credit portfolio would also be exposed to substantial risks.

In response, MUFG aims to carry out the quantitative assessment of climate change-related risks and, to this end, is working to assess carbon-related assets associated with its lending portfolio based on the TCFD recommendations. Furthermore, we formulated the MUFG Environmental and Social Policy Framework to accurately evaluate and manage environmental and social risks arising from our business operations.

Status of Carbon-Related Assets (as of March 31, 2019)*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion in overall portfolio value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>3.0%</td>
</tr>
<tr>
<td>Utility</td>
<td>3.6%</td>
</tr>
<tr>
<td>Total</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

* Based on the TCFD recommendations, MUFG has categorized the value of lending for the energy and utility sectors other than lending for renewable energy projects as constituting carbon-related assets.

Scenario Analysis

MUFG has started scenario analysis with the objective of assessing the impact of climate-change-related risks on its credit portfolio.

Based on the New Policies Scenario and the Sustainable Development Scenario (2°C Scenario) published by the International Energy Agency (IEA), we are working to quantitatively assess the financial impacts of transition risks. The scenario analysis methods used reference those applied in a pilot project led by the UNEP Finance Initiative in which 16 member banks participated with the aim of discussing and developing methods for climate-change-related financial information disclosure for the banking industry.

In addition, MUFG is a participant in Phase II of a pilot project launched in 2019 by the UNEP Finance Initiative.

Risk Management

We implemented MUFG Environmental and Social Policy Framework to manage environmental and social risks associated with our financing.

In May 2019, we revised this policy framework to live up to the growing call for climate change countermeasures from the international community. Specifically, we strengthened the policy on financing for the coal-fired power generation sector while adding forestry, palm oil and mining (coal) sectors as restricted transactions. From July 2019 we will not provide financing for new coal-fired power generation projects. As a result, we expect our credit balance associated with coal-fired power generation projects to decrease over the medium to long term.

Metrics and Targets

Setting Sustainable Finance Goals
We have committed to extending a total of ¥20 trillion for sustainable finance by the end of fiscal 2030 (of this, ¥8 trillion will be used for environmental finance).

Reducing CO₂ Emissions Attributable to Our Business Activities
To reduce the environmental burden attributable to our business activities, we are working to assess and reduce the environmental footprints of our operations, such as GHG emissions. In addition, the Bank has succeeded in reducing CO₂ emissions beyond its reduction target (reduced energy intensity index* in fiscal 2017 to 26.0% below the fiscal 2009 level).

The Bank has succeeded in reducing CO₂ emissions beyond its reduction target (reduced energy intensity index* in fiscal 2017 to 26.0% below the fiscal 2009 level). Please also visit MUFG’s website to see its initiatives to reduce environmental burdens.

*Energy intensity index = Energy consumption /Total floor space

GHG Emissions*

<table>
<thead>
<tr>
<th>FY2018</th>
<th>[Mt. Thousand t CO₂]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Scope1 Directors</td>
</tr>
<tr>
<td>FY2018</td>
<td>11</td>
</tr>
</tbody>
</table>

* Domestic total for MUFG, the Bank, the Trust Bank, MUFGIS, and NICO5.

Please visit MUFG’s website to see its initiatives to reduce environmental burdens. URL: https://www.mufg.jp/english/csr/environment/effort/
Leveraging Our Financing Functions to Promote Environmental Initiatives

Drawing on its solid track record, abundant know-how and extensive global network, MUFG is acting as project finance arranger and lender in a way that helps curb the impact of climate change. Moreover, we provide consulting services while assisting clients with the issuance of Green Bonds.

MUFG’s Contribution to ESG-Oriented Investment and Financing

Investors

The net proceeds from the issuance

Issuer

The net proceeds from the issuance

MUFG

Investors

Financing

The Bank

MUFSC

ESG-centered underwriting/ESG-centered asset management

Investees

Corporate and public agencies

Eligible green projects

Allocation of Funds and Environmental Impact

Assistance of Green Bonds issued through the issuance of Green Bonds (This figure in parentheses represents the number of renewable energy projects) US$2,991 million (43)

Total annual energy generation

13,650 kwh

Total annual CO2 emissions avoided

6.9 million tons

MUFG amounts to approximately US$1.7 billion (as of March 31, 2019).

The net proceeds from MUFG Green Bonds have been allocated to Eligible Green Projects via the Bank (examples of such projects are described on the facing page). These efforts have contributed to both MUFG and MUMSS being chosen to receive awards from the Minister of the Environment at the Japan Green Bond Awards in the categories of Japan Green Impact and Japan Green Contributor respectively.

2 Introducing an ESG Evaluation System for J-REITs

MUFG has developed a system for evaluating the asset management companies of J-REITs and J-REIT properties from an ESG-centered viewpoint. Taking advantage of this system, we began striving to expand the J-REIT market. Specifically, Mitsubishi UFJ Research and Consulting carries out comprehensive assessments of ESG initiatives undertaken by J-REITs and the asset management companies, and rates them based on a five-grade scale. Loans to J-REITs that received sufficiently high ratings will be prioritized in the allocation of proceeds from MUFG Green Bonds. In fiscal 2018, MUFG has extended a total of US$6.6 billion to J-REITs since the introduction of this system.

* Japanese-Real Estate Investment Trusts

3 Environmental and Social Risk Management Based on the Equator Principles

As a signatory to the Equator Principles (EP), MUFG Bank supports its clients’ environmental and social risk management by identifying, assessing and managing environmental and social risks and impacts associated with large-scale projects by undertaking due diligence in accordance with EP. 46 transactions were subject to EP review and reached financial close in fiscal year 2018 (preliminary figure).

Please visit MUFG’s website for further information.
https://www.mufg.co.jp/EN/about/ESG/environment/equator

Environmental and Social Risk Management

Based on EP, Mitsubishi UFJ Research and Consulting (JCR) evaluates clients’ initiatives and scores them in tandem with Japan Credit Rating Agency, Ltd. (JCR), thereby providing clients with feedback on the challenges they must address.

3 ESG Management Support Loan

MUFG offers corporate loan products designed to evaluate and support clients’ ESG initiatives. Specifically, Mitsubishi UFJ Research and Consulting evaluates clients’ initiatives and scores them in tandem with Japan Credit Rating Agency, Ltd. (JCR), thereby providing clients with feedback on the challenges they must address.

Employing these products, the Bank collaborated with regional financial institutions in the development of a syndicated loan totaling ¥14 billion for Nippon Yusen Kabushiki Kaisha and Nagoya Railroad Co., Ltd. This syndicated loan is certified by JCR as being in conformance with the Green Loan Principles.

4 Consulting Services on Climate Change Countermeasures

MUFG supports the Joint Crediting Mechanism (JCM) a carbon credit system designed to supplement the Clean Development Mechanism (CDM) based on the Kyoto Protocol. With the Japanese government acting as an international advocate for this mechanism, MUFG provides consulting services aimed at supporting the formulation and commercialization of financing schemes for initiatives undertaken in developing countries to curb global warming. Drawing on its leading track record and experience in the field of CDM consulting, MUFG assisted a total of 12 JCM projects in fiscal 2018. Going forward, we expect these initiatives to help realize a total reduction in GHG emissions of approximately 55,000 t-CO2/year.

In addition, MUMSS has been commissioned by the Ministry of Economy, Trade and Industry (METI) to conduct a study on and act as a secretariat for climate change adaptation businesses for the third consecutive year since 2016. MUMSS also helped upgrade METI’s Climate Change Adaptation Good Practices by Japanese Private Sector while hosting a climate change adaptation forum. In this way, MUMSS is contributing to the promotion of adaptation businesses in the Japanese private sector.

Major Projects Supported by MUMSS in Fiscal 2018 for JCM Procedures

(Unit: t-CO2/year)

<table>
<thead>
<tr>
<th>Country</th>
<th>Outline of JCM Projects</th>
<th>Approved amount of reduction in GHG emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Introduction of technologies aimed at optimizing power plant operations, etc.</td>
<td>23,509</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Introduction of high-efficiency street lighting equipment</td>
<td>4,190</td>
</tr>
<tr>
<td>The Philippines</td>
<td>Introduction of solar power generation systems at parts factories, etc.</td>
<td>2,821</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Introduction of high-efficiency transformers to power distribution networks (two projects)</td>
<td>5,143</td>
</tr>
<tr>
<td>Laos</td>
<td>Introduction of high-efficiency data centers</td>
<td>567</td>
</tr>
<tr>
<td>Mongolia</td>
<td>Supply of electricity via solar power generation</td>
<td>18,438</td>
</tr>
<tr>
<td>Fiscal 2018 Total</td>
<td></td>
<td>54,668</td>
</tr>
</tbody>
</table>

* GHG: greenhouse gas
Facilitating Social Development through Financing

MUFG aims to contribute to social development through financing, the primary function representing its business operations.

In particular, we provide services unique to MUFG to address such issues as the “aging population & low birth rate,” “business incubation & job creation,” and “social infrastructure & town planning.”

Supporting Corporate Growth

Acting as a partner for its corporate customers, MUFG is well aware of the fact that their needs may vary widely due to differing levels of development.

Accordingly, MUFG optimizes its services to fit their individual needs, whether they are startups, growing corporations, mature companies or companies undergoing corporate rehabilitation.

Investment in 3D-Mapping Technology for Autonomous Driving

In April 2019, Japan Infrastructure Initiative (JII)* invested ¥2.0 billion in Dynamic Map Platform Co., Ltd. (DMP), a company aimed at providing high-definition (HD) 3D roadmaps, an essential component supporting autonomous driving and other cutting-edge driving assistance technologies. DMP is expected to expand into North America while rolling out its technology to applications other than autonomous driving, with the aim of contributing to the realization of a safe and secure society with higher living standards.

We also provide assistance for the launch of new businesses in FinTech and other cutting-edge technological fields through the MUFG Digital Accelerator Program.

Rise Up Festa

Rise Up Festa is a business support program aimed at assisting SMEs and other growing companies engaged in novel and creative segments as well as those trying to extend the boundaries of existing businesses. Through this program, MUFG engages with them as business partners over the medium- to long-term, taking full advantage of its extensive business network and abundant know-how in management support.

In April 2019, MUFG conducted a final screening for the sixth round of this program, with four outstanding companies and six excellent companies being chosen from among the many candidates. Award-winning companies may benefit from various support programs aimed at helping them achieve growth.

Supporting the Spread of Advanced Technologies

MUFG aims to contribute to social development through financing, the primary function representing its business operations.

In particular, we provide services unique to MUFG to address such issues as the “aging population & low birth rate,” “business incubation & job creation,” and “social infrastructure & town planning.”

Supporting Corporate Growth

Acting as a partner for its corporate customers, MUFG is well aware of the fact that their needs may vary widely depending on their size and development levels.

Accordingly, MUFG optimizes its services to fit their individual needs, whether they are startups, growing corporations, mature companies or companies undergoing corporate rehabilitation.

The Bank also engages in financing that draws on the government’s subsidized investment payment program for regional revitalization, extending a total of ¥6.8 billion in fiscal 2018 under this program.

A comprehensive strategic plan formulated by the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan (established by the Cabinet Secretariat in September 2016), in response to the rapid decline in and aging of the country’s population, this plan aims to help create an autonomous and sustainable society in a way that takes advantage of characteristics of each region and provides a practical approach for supporting the buildup of social infrastructure and local economy.

Investment in 3D-Mapping Technology for Autonomous Driving

In April 2019, Japan Infrastructure Initiative (JII)* invested ¥2.0 billion in Dynamic Map Platform Co., Ltd. (DMP), a company aimed at providing high-definition (HD) 3D roadmaps, an essential component supporting autonomous driving and other cutting-edge driving assistance technologies. DMP is expected to expand into North America while rolling out its technology to applications other than autonomous driving, with the aim of contributing to the realization of a safe and secure society with higher living standards.

Looking ahead, JII will continue to assist in the development of infrastructure businesses via investment in promising Japanese companies.

For our corporate clients’ employees, we provide seminars dealing with such topics as life planning and asset management. In addition, our website provides a broad range of articles aimed at encouraging viewers to develop their interest in asset building in addition to quizzes and cartoons.
Nurturing Professionals Who Pursue Innovation in Challenging Environments

As we aim to deliver greater value to customers and society as a whole, we are striving to nurture professionals equipped with distinctive strengths in their areas of specialty as well as human relations skills to ensure that they are capable of succeeding on the global stage. In doing so, we encourage them to take on the challenge of driving innovation.

With this in mind, under the Medium-Term Business Plan (MTBP) we will step up the integrated management of our Group’s human resources around the world.

MUFG Human Resources Principles

The MUFG Human Resources Principles provide the basis on which the Group has built a human resources management platform that aligns with its Corporate Vision. These principles are:

» Shared Values
» HR Mission
» HR Vision
» HR Philosophy

For the full text of the MUFG Human Resources Principles, please visit our corporate website. URL: https://www.mufg.com/en/jp/about/

Human Resources Strategy under the MTBP

To overcome the harsh environment, we will engage in human resources management aimed at supporting groupwide integrated efforts to achieve the objectives of the MUFG Re-Imagining Strategy.

Specifically, we are focusing on ensuring optimal staffing in order to match the competencies of our workforce to jobs while promoting staff exchanges that transcend the boundaries of Group entities, thereby assisting in the execution of business strategies under the MTBP. Furthermore, we are managing employees in Japan and overseas in an integrated manner, practicing more sophisticated human resources management on a global basis.

Taking advantage of the great breadth of operations handled by the MUFG Group, we introduced the Groupwide Posting System, which offers employees handled by the MUFG Group, we introduced the Groupwide Posting System, which offers employees

managing employees in Japan and overseas in an

thereby assisting in the execution of business

The holding company also instituted a new recruiting

that transcends the boundaries of Group entities.

Groupwide Posting System, which offers employees

human resources management on a global basis.

Taking advantage of the great breadth of operations

human resources management platform that aligns with its

Corporate Vision. These principles are:

» Shared Values
» HR Mission
» HR Vision
» HR Philosophy

Ensuring competency-based promotion and job allocation

Overhaul training policies, conventional human resources management practices and the entire human resources platform to support autonomous career development

Overhead training objectives planned by the MUFG Group, we introduced the Groupwide Posting System, which offers employees opportunities to take on their desired duties in a way that transcends the boundaries of Group entities. The holding company also instituted a new recruiting framework for securing candidates from a broader range of sources. With the purpose of helping highly skilled individuals pursue greater career success, this framework is designed to provide them with salaries in line with labor market benchmarks unconnected to our conventional pay systems.

Currently, revisions of human resources system are under way at key Group subsidiaries in Japan. This move is intended to nurture a greater number of professionals and ensure human resources management with performance-based assignment. For example, the Bank overhauled its human resources system in April 2019, introducing evaluation and training frameworks designed to support growth and employees’ ability to overcome challenges. Also, the Bank’s new human resources system is thoroughly focused on ensuring performance-based appointment and position-based pay. This is expected to achieve more transparent and fair appointment and position-based pay. This is expected to achieve more transparent and fair appointment and position-based pay. This is expected to achieve more transparent and fair

appointment and position-based pay. This

thoroughly focused on ensuring performance-based

appointment and position-based pay. This is

expected to achieve more transparent and fair

human resources management that is acceptable to

Objectives of MUFG Bank’s Human Resources System

Revisions

Nurturing genuine professionals

Helping them pursue personal growth and take on challenges

Ensuring competency-based promotion and job allocation

Overhead training objectives: planned by the MUFG Group, we introduced the Groupwide Posting System, which offers employees opportunities to take on their desired duties in a way that transcends the boundaries of Group entities. The holding company also instituted a new recruiting framework for securing candidates from a broader range of sources. With the purpose of helping highly skilled individuals pursue greater career success, this framework is designed to provide them with salaries in line with labor market benchmarks unconnected to our conventional pay systems.

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human resources management that is acceptable to

Framework

Program name | Objective
--- | ---
New Corporate Executive Training | Acquire practical viewpoints for corporate management
Executive Candidate Training | Acquire concept building capabilities to develop financial businesses for the future
Assessment & Coaching | Embrace a new mode of action in daily operations
Management Course | Develop leadership for global operations
Liberal Arts Season | Enhance prediction capabilities necessary for making policy judgments through increased exposure to Liberal arts concepts
Design & Digital Thinking | Enhance concept building capabilities via exposure to digital thinking methods
Coaching Capability Improvement | Acquire coaching skills to help staff members realize their potential

Next-Generation Leader Course

Eligible attendees: General managers and branch managers (senior managers, branch managers, or above)

Program name | Objective
--- | ---
Next-Generation Leader Course | Acquire practical viewpoints for corporate management
Executive Candidate Training | Acquire concept building capabilities to develop financial businesses for the future
Assessment & Coaching | Embrace a new mode of action in daily operations
Management Course | Develop leadership for global operations
Liberal Arts Season | Enhance prediction capabilities necessary for making policy judgments through increased exposure to Liberal arts concepts
Design & Digital Thinking | Enhance concept building capabilities via exposure to digital thinking methods
Coaching Capability Improvement | Acquire coaching skills to help staff members realize their potential

Specifically, we will expand the lineup of job-level based training programs aimed at helping employees acquire practical experience and enhance their digital literacy while proactively hiring digital experts equipped with sophisticated skills.

Enhancing Managers’ Coaching Skills

Today, MUFG is striving to create a sustainable and open-minded organizational culture that encourages employees to take on the challenge of realizing innovation and renovation. To this end, MUFG’s managers must be good at drawing out the creativity of their team members and helping them realize their potential so that they can proactively take on higher goals. With this in mind, we will initiate a special program for general or branch managers to help them enhance their coaching skills. Looking ahead, we will roll out coaching education to existing training systems for coverage of an even broader range of job levels.
Nurturing Global Human Resources

Today, MUFG Group has expanded into more than 50 countries around the globe, with approximately 55% of its entire workforce being accounted for by overseas employees (as of May 31, 2019).

With this in mind, we are employing a globally unified human resources platform to nurture professionals with diverse backgrounds and offer them greater career opportunities. This approach is expected to enhance our organizational strength. In taking this approach, we promoted a growing number of those hired overseas to managerial posts while preparing a multinational list of key managerial candidates, that is being periodically reviewed to preclude any biases.

In addition, we regularly hold the Global LEAD Program, mainly for those in department head positions. Hosting diverse participants coming from the Bank, the Securities Business, Krungsri, MUFG Union Bank and other Group entities serving various regions, the forum provides training aimed at helping them acquire essential leadership knowledge, embrace global perspectives and develop other fundamental global leadership traits.

Also, the Bank and the Securities HD have taken advantage of the globally unified human resources management platform to appoint managing director candidates from among those hired overseas. Regardless of the place of their hiring, promising candidates are assigned leading roles in the execution of global business strategies. By doing so, we also help them develop career track records encompassing a broad range of fields.

As a result of the aforementioned initiatives, we have seen improved motivation among individuals hired overseas, and their drive is helping to facilitate positive competition among employees while expanding the pool of candidates. In short, our approach is creating a positive feedback loop, boosting our organizational strength. Today, a growing number of individuals hired overseas have been promoted to managerial posts. For example, 13 of these individuals, including four women, have assumed executive officer positions at the Bank (as of March 31, 2019).

Proportion of Overseas Employees*

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<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>24.0</td>
<td>25.3</td>
<td>37.3</td>
<td>37.8</td>
<td>38.5</td>
<td>40.5</td>
<td>42.4</td>
<td>52.9</td>
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*Proportion of overseas employees in the number of employees (consolidated basis, including part-time and temporary employees, presented in the financial reports. However, the number of employees at Bank Danamon is as of December 31, 2019. Note: Total headcount is as of May 31, 2019, reflecting the inclusion of Bank Danamon into the scope of consolidation.

Promoting Inclusion & Diversity

MUFG aims to ensure that all its employees, who boast a diverse range of backgrounds, work as one team and are allowed to maximize their individual potential and fulfill their career goals. To that end, we are helping raise their awareness while developing various programs to support them.

These efforts are focused on facilitating an appreciation of each other’s uniqueness and creating an inclusive workplace in which everyone can work in confidence regardless of religion, disability, sexual orientation or gender identity.

MUFG Union Bank was selected by Diversity Inc. as one of the Top 50 U.S. Companies for Diversity in 2018, and for the sixth consecutive year, MUFG earned a 100 percent score on the Human Rights Campaign Corporate Equality Index. Inclusion & Diversity will remain important principles at MUFG, as we continue to embrace the unique perspectives of our colleagues, communities, and clients.

In Japan, the Bank’s Marunouchi Head Office has in place a prayer room that accommodates various religious needs. Also, the Bank has distributed tablet terminals equipped with voice recognition software for employees with hearing disabilities.

Assisting Women with Career Development

In Japan, the Bank, the Trust Bank and MUMSS identified a mutual goal: raising their ratios of female employees in managerial positions to 24% by March 31, 2021. Moreover, we aim to identify top management candidates from among this employee group. Our measures to this end include training sessions designed to help candidates inspire one another, round-table meetings with executives and the provision of a mentoring system. We are thus striving to raise their awareness of corporate management.

Overseas, we set a goal of raising the ratio of female managers in the Group’s workforce in the United Kingdom by 10% by 2022 as part of our ongoing efforts to ensure gender equality and support women’s career development.
Enhance Our Corporate Governance Structure

Fundamental Concepts
MUFG will aim for sustainable growth and the increase of corporate value over the medium- to long-term, in consideration of the perspectives of its stakeholders, including shareholders as well as customers, employees and local communities. MUFG will aim to realize effective corporate governance through fair and highly transparent management based on the guidance provided by MUFG Corporate Governance Policies.

Steps to Improve Our Governance Structure
Since its establishment, MUFG has worked to build a stable and effective corporate governance structure, putting emphasis on ensuring external oversight. In June 2015, MUFG transitioned to the “company with three committees” governance structure. The functions of oversight and execution in the holding company are separated, thereby strengthening the oversight function of the Board of Directors and the committee system has also been reorganized for more effective governance. In June 2017, two foreign nationals were appointed as directors. In June 2018, the total number of directors was decreased, with outside directors accounting for the majority of the Board of Director membership.

In line with the succession plan formulated by the Nominating and Governance Committee, in April 2019, MUFG appointed a Group CEO and, in June 2019, three outside directors and one director. Due to these appointments, nine out of the current 16 members of the Board of Directors are independent outside directors and include three women as well as two foreign nationals (from the United States and Thailand). With their backgrounds ranging from corporate managers, financial experts and lawyers to CPAs, the composition of outside directors are well-balanced in terms of specialty, region and gender.

Enhance Our Corporate Governance Structure

Corporate Governance Development

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<tr>
<td>Governance Structure</td>
<td>Company with a Board of Corporate Auditors</td>
<td>Company with Three Committees</td>
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<td>Committees under the Board of Directors</td>
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<td>Internal Audit and Compliance Committee</td>
<td>Risk Committee</td>
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<td>Policy</td>
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Independence and Diversity of Directors

- Non-executive directors: 11/16 (68.7%)
- Independent outside directors: 9/16 (56.2%)
- Female directors: 3/16
- Foreign nationals: 2/16

Securing independence and diversity

Corporate Governance Development

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Independence and Diversity of Directors

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- Independent outside directors: 9/16 (56.2%)
- Female directors: 3/16
- Foreign nationals: 2/16

Securing independence and diversity

Management Structure

Mitsubishi UFJ Financial Group

Oversight
- Board of Directors
- Outside Directors (Nine)
- Directors (Seven)

Steps to Improve Our Governance Structure
Since its establishment, MUFG has worked to build a stable and effective corporate governance structure, putting emphasis on ensuring external oversight. In June 2015, MUFG transitioned to the “company with three committees” governance structure. The functions of oversight and execution in the holding company are separated, thereby strengthening the oversight function of the Board of Directors and the committee system has also been reorganized for more effective governance. In June 2017, two foreign nationals were appointed as directors. In June 2018, the total number of directors was decreased, with outside directors accounting for the majority of the Board of Director membership.

In line with the succession plan formulated by the Nominating and Governance Committee, in April 2019, MUFG appointed a Group CEO and, in June 2019, three outside directors and one director. Due to these appointments, nine out of the current 16 members of the Board of Directors are independent outside directors and include three women as well as two foreign nationals (from the United States and Thailand). With their backgrounds ranging from corporate managers, financial experts and lawyers to CPAs, the composition of outside directors are well-balanced in terms of specialty, region and gender.
Fiscal 2018 Initiatives

Following the transition to the “company with three committees” governance structure in June 2015, there was a significant decrease in the number of agenda items and the volume of materials for Board of Directors meetings. This was thanks to a review of agenda items and the Board of Directors' operations as a whole, including meeting frequency.

Specifically, over the course of a period spanning fiscal 2015 through fiscal 2018 the number of agenda items was cut approximately 36%. Over the same period, the total page count with regard to materials provided to members was reduced by 28%. Thus, the time allocated for discussing single agenda items has increased. As a result, the average length of regularly scheduled Board of Directors meetings has almost doubled from three hours 16 minutes in fiscal 2015 to six hours 19 minutes in fiscal 2018. In addition, more than half the time spent in Board of Directors meetings held in fiscal 2018 was allocated to the deliberation of specific subjects, allowing for more vigorous debate in the Board room. Also, since the June 2017 inclusion of foreign national outside directors, all meeting materials have been translated into English, while all Board of Directors meetings are attended by simultaneous interpreters.

Main agenda items discussed by the Board of Directors in fiscal 2018 are listed at the bottom of this page. At one meeting with the theme “acquisition of the CFSGAM Group,” the Board of Directors benefited from input from outside directors with regard to post-acquisition management focused on identifying extant decision making processes at the acquired company and how to assess other key management information. They also contributed opinions on how to identify significant issues based on business-specific due diligence findings and suggested how to resolve them. Thanks to outside directors who contributed their specialist expertise, discussions by the Board of Directors were quite active.

Outline of Committees and Their Fiscal 2018 Initiatives

Nominating and Governance Committee

The Committee is composed of outside directors and the CEO, with an outside director as Chairperson. The Committee discusses matters related to the Chairman, Deputy Chairman, President, and other major management positions in the holding company or major subsidiaries, as well as corporate governance policies and frameworks in place at these entities, and makes recommendations to the Board of Directors. Of these, the Committee met seven times to discuss the appointment of the Group CEO candidate.

Compensation Committee

The Committee is composed of outside directors and the CEO, with an outside director as Chairperson. The Committee decides on matters associated with the compensation of directors and corporate executives at the holding company and its subsidiaries and makes recommendations to the Board of Directors.

Audit Committee

The Committee is composed of outside directors and non-executive directors, with an outside director as Chairperson. The Committee executes the supervision of business by committee executives and makes and/or prepares auditing reports. It also examines the company’s financial situation and business operations while paying close attention to cyber attacks and other significant IT risks in anticipation of the Tokyo Olympic Games, and submits its recommendations to the Board of Directors.

Fiscal 2018 Initiatives

Upgrading the Governance Framework

The acquisition of the CFSGAM Group

Reporting on progress of strategic investment in Bank Danamon

Reporting from C-Suite constituents

Results (including reporting on corporate culture-related initiatives)

Review of strategic investment in Bank Danamon

Acquisition of the CFSGAM Group

Revisions of MUFG Corporate Governance Policies and Committee Charters and Rules

Revisions of Roles for the Board of Directors and Rules on Staffing

Measures for enhancing shareholder returns and financial performance targets

Examples of Agenda Items Discussed by the Board of Directors in Fiscal 2018
Evaluation Framework of the Working Practices of the Board of Directors’ Operation

Since 2013, MUFG has employed external consultants to evaluate the working practices of its Board of Directors. Each director is asked to fill in a questionnaire and is interviewed on such subjects as the composition of key committees, the quality of the preparatory materials assembled prior to each meeting, the content of discussions, the operations of the Board, the Board’s contributions, and the performance of executive members. The results of these questionnaires and interviews are reported to and discussed at the Nominating and Governance Committee and the Board of Directors.

In the course of the fiscal 2018 evaluation, interviews were undertaken in January and February 2019 and completed questionnaires collected. According to the evaluation, MUFG was successful in steadily implementing the Corporate Governance Reform initiatives more closely.

Facing a business environment and management challenges that are ever more complex, MUFG is formulating measures to address the aforementioned issues. By doing so, MUFG will enhance the Board of Directors’ quality of discussion, enabling it to speedup decision making and thereby resolve these challenges.

Fiscal 2018 Evaluation of the Working Practices of the Board of Directors

### Fiscal 2018 Evaluation

<table>
<thead>
<tr>
<th>Fiscal 2017 evaluation</th>
<th>Fiscal 2018 initiatives</th>
<th>Fiscal 2018 evaluation</th>
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<tbody>
<tr>
<td><strong>Evaluation</strong></td>
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<tr>
<td>Improvement in actual governance functions</td>
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<tr>
<td>Issues to be addressed</td>
<td></td>
<td></td>
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<tr>
<td>- Need to improve the Board of Directors composition</td>
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<tr>
<td>- Need to clarify rank agenda items by priority from a Group perspective</td>
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<tr>
<td>- Need to monitor MUFG’s corporate culture reform initiatives more closely</td>
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<tr>
<td><strong>Issues to be addressed</strong></td>
<td></td>
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<tr>
<td>- Satisfied formal requirements regarding governance</td>
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<tr>
<td>- Foreign national outside directors brought fresh perspective on global finance and helped improve discussion by the Board of Directors</td>
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<tr>
<td>- Viewpoints from each operating company were shared by the Board of Directors, which was able to engage in in-depth discussion from a Group perspective</td>
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Roles Outside Directors Are Expected to Fulfill

At MUFG, outside directors are expected to fulfill the following six roles:

- **Supervise executives’ duties from an independent and objective standpoint**
- **Exercise the oversight of conflicts of interest that may occur between MUFG and top management executives or MUFG and controlling shareholders**
- **Provide advice and other assistance to top management executives based on their experience and expertise**
- **Contribute to sustainable corporate development and medium- to long-term growth in MUFG’s corporate value**
- **Engage in timely and appropriate decision making in the course of deliberating investment and other management judgments via the careful examination of the reasoning behind the proposals and other information presented to them**
- **Sufficiently discuss matters reported or proposed by top management executives by requesting supplementary explanation where necessary and by contributing their opinions**

<table>
<thead>
<tr>
<th>Name</th>
<th>Current position at MUFG and committee-related duties</th>
<th>Specialty</th>
<th>Reason for appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariko Fuji</td>
<td>Member of the Board of Directors Chair of the Risk Committee Member of the Nominating and Governance Committee and the Compensation Committee</td>
<td>Finance</td>
<td>Having worked for the Ministry of Finance, Ms. Fuji has been serving as a professor at the University of Tokyo’s Research Center for Advanced Science and Technology and ambassador extraordinary and plenipotentiary of Japan. She has thus accumulated specialist expertise in finance and economics while boasting extensive experience in those fields.</td>
</tr>
<tr>
<td>Kaoru Kato</td>
<td>Member of the Board of Directors Member of the Audit Committee</td>
<td>Corporate management</td>
<td>Mr. Kato has fulfilled a number of key management positions, including President &amp; CEO of NTT DOCOMO, Inc. and is equipped with extensive expertise as a corporate manager and invaluable expertise.</td>
</tr>
<tr>
<td>Haruka Matsuyama</td>
<td>Member of the Board of Directors Chair of the Compensation Committee Member of the Nominating and Governance Committee</td>
<td>Legal affairs</td>
<td>Ms. Matsuyama boasts extensive experience as a lawyer and is equipped with specialist expertise in a broad range of legal affairs.</td>
</tr>
<tr>
<td>Toby S. Myerson</td>
<td>Member of the Board of Directors Member of the Risk Committee</td>
<td>Legal affairs</td>
<td>Mr. Myersen boasts extensive experience as a lawyer and is equipped with specialist expertise in corporate legal affairs and M&amp;A.</td>
</tr>
<tr>
<td>Hirofumi Nomoto</td>
<td>Member of the Board of Directors Member of the Nominating and Governance Committee and the Compensation Committee</td>
<td>Corporate management</td>
<td>Having fulfilled a number of key management positions, including that of President &amp; Representative Director of Tobu Railway Corporation, Mr. Nomoto is currently serving as Chairman &amp; Representative Director of this firm and boasts extensive expertise and invaluable experience as a corporate manager.</td>
</tr>
<tr>
<td>Tsutomu Okuda</td>
<td>Member of the Board of Directors Chair of the Nominating and Governance Committee Member of the Compensation Committee</td>
<td>Corporate management</td>
<td>Mr. Okuda has fulfilled a number of key management positions, including President and CEO and Chairman &amp; CEO of J. Front Investment Co., Ltd. boasting extensive expertise and invaluable experience as a corporate manager.</td>
</tr>
<tr>
<td>Yasushi Shingai</td>
<td>Member of the Board of Directors Member of the Audit Committee and the Risk Committee</td>
<td>Corporate management Finance &amp; accounting</td>
<td>Mr. Shinga has fulfilled a number of key management positions, including Senior Vice President &amp; CFO of Japan Tobacco Inc., Executive Vice President and Deputy CEO of J. International Co., Ltd. and Representative Director and Executive Vice President of Japan Tobacco Inc., boasting extensive experience as a corporate manager as well as specialist expertise in corporate finance and accounting systems and M&amp;A.</td>
</tr>
<tr>
<td>Tarisa Wataragase</td>
<td>Member of the Board of Directors Member of the Risk Committee</td>
<td>Finance</td>
<td>Having served as Governor of the Bank of Thailand, Ms. Wataragase boasts extensive experience as an economist and is equipped with specialist expertise in finance and economy.</td>
</tr>
<tr>
<td>Akira Yamate</td>
<td>Member of the Board of Directors Chair of the Audit Committee</td>
<td>Finance &amp; accounting</td>
<td>Mr. Yamate boasts extensive experience as a CPA and is equipped with specialist expertise in auditing and accounting.</td>
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Compensation System

MUFG has adopted a performance-based stock compensation plan for all directors, corporate executives, and executive officers (hereinafter referred to collectively as “recipients”) who serve at the holding company, the Bank, and the Trust Bank as well as the Securities HD. The introduction of this plan is intended to provide greater incentives for those individuals to maintain an awareness of the Group’s overall corporate performance, stock price and capital efficiency over the medium- to long-term when pursuing their duties.

In May 2018, MUFG carried out a partial revision of this plan, incorporating ROE and the expense ratio into evaluation indices for determining stock compensation and bonuses for directors. This revision was intended to increase the proportion of performance-based compensation and is expected to better harmonize our compensation system with shareholders’ interests while incentivizing recipients to contribute to medium- to long-term improvement in corporate performance.

MUFG maintains key subsidiaries in the United States. Thus, it is quite important to ensure that we share the same understanding of the managerial challenges across entities. In order to achieve this, the company emphasizes multi-directional communications and mutual understanding.

To further this goal, MUFG convenes periodic meetings attended by MUFG and MUFG Union Bank independent directors, outside directors from MUFG and the Bank, C-Suite of MUFG Group Companies, and other domestic officers. In fiscal 2018, these meetings addressed global issues faced by MUFG. Attendees engaged in lively discussion over topics such as compliance with anti-financial crime regulations and other regulations. Going forward, in an effort to facilitate mutual understanding and develop an even stronger governance structure, we pledge to maintain robust communications.
Board of Directors

As of July 1, 2019

Member of the Board of Directors (Outside Director)

Makoto Fujii
Ordinary Shares:
Chairman & CEO, Sumitomo Mitsui Card Co., Ltd.

Member of the Board of Directors (Outside Director)

Tobu S. Myers
Ordinary Shares:
Chairman & CEO, Longsight Strategic Advisors LLC

Member of the Board of Directors (Outside Director)

Yasuhiro Shingi
Ordinary Shares:
Former Executive-Deputy President and Representative Director of Japan Tobacco Inc.

Member of the Board of Directors (Outside Director)

Takayuki Nomoto
Ordinary Shares:
Chairman and Representative Director, Tokyo Electric Power Co., Ltd.

Member of the Board of Directors (Outside Director)

Hiromitsu Nishide
Ordinary Shares:
Chairman & CEO, J. Front Retailing Co., Ltd.

Member of the Board of Directors (Outside Director)

Tadaya Kurita
Ordinary Shares:
Chairman, Asahi Group Holdings, Ltd.

Member of the Board of Directors (Outside Director)

Anri Nakamura
Ordinary Shares:
Chairman & Representative Director, MUFG Securities Co., Ltd.

Member of the Board of Directors (Outside Director)

Terugumi Okada
Ordinary Shares:
Chairman & Representative Director, MUFG Bank, Ltd.

Member of the Board of Directors (Outside Director)

Sumio Matsuura
Ordinary Shares:
Chairman, Nomura Real Estate Development Co., Ltd.

Member of the Board of Directors (Outside Director)

Ryuji Okamoto
Ordinary Shares:
Chairman, MUFG Securities Co., Ltd.

Member of the Board of Directors (Outside Director)

Hironori Kamezawa
Ordinary Shares:
Chairman, MUFG Bank, Ltd.

Important Issues Concerning Value Creation

Upgrading the Governance Framework

Type and number of shares of MUFG Shares owned as of March 31, 2019

(Dilutive Shares: The number of corresponding vested points in the stock compensation system used in this structure.)

Attendance at Board of Directors Meetings (E08)

August 2019
Global Advisory Board

MUFG has established the Global Advisory Board to function as an advisory body to the Executive Committee, and the Board holds regular meetings. The Global Advisory Board is made up of members from Japan, Europe, Asia, and the Americas who are external experts in areas such as corporate management, financial regulation, and government policy. They provide advice and recommendations on groupwide management, global governance, business strategy and other management issues from an independent standpoint.

Dr. Victor K Fung
Group Chairman, Fung Group, Hong Kong
Former Honorary Chairman, the International Chamber of Commerce

Professor Merit E. Janow
Dean, School of International and Public Affairs, Columbia University
Former Member of Appellate Body, World Trade Organization

Ambassador John V. Roos
Former United States Ambassador to Japan

Lord (James) Sassoon, Kt
Director, Jardine Matheson Holdings Limited
Former Commercial Secretary to the Treasury, United Kingdom

Mr. George Yeo
Former Singapore Minister for Foreign Affairs, Trade & Industry, Health, Information and the arts

Mr. Toshio Iwamoto
Principal Executive Advisor, NTT DATA Corporation

Mr. Akio Mimura
Honorary Chairman, NIPPON STEEL CORPORATION

Outline of Annual Meetings

In December 2018, MUFG held its sixth annual Global Advisory Board meeting. In addition to Global Advisory Board members, attendees included MUFG officers, directors, outside directors and representatives from overseas partner banks. Participants engaged in active discussion on a broad range of themes. Topics included risk factors that may impact MUFG’s business strategies and portfolio, U.S.-China trade tensions, the growth potential of and risks associated with emerging nations, European politics such as Brexit and the EU’s future, digitalization and the data business.

MUFG Global Partnership Conference

We held the third round of the MUFG Global Partnership Conference to facilitate the sharing of expertise and collaboration among partner banks and MUFG. Attendees included chairpersons, CEOs and other executives from partner banks. The conference focused on four themes, namely, “channel strategy,” “data-driven marketing,” “consumer finance risk” and “cybersecurity.” Attendees were able to discuss issues each is now confronting while exchanging insights.

In addition, a digital-themed breakout session was held with representatives from each partner bank. They discussed the priority measures they’ve taken and shared their know-how and case studies.
Foundations of Value
Enhancing Our Corporate Value through Committed Engagement with Stakeholders

MUFG believes that winning the support of its various stakeholders is essential to securing sustainable growth in its business activities and thus its corporate value. In line with this belief, we engage with stakeholders via a variety of channels and take heed of their expectations and requests to make improvements in our business management.

MUFG's Channels for Communication with Stakeholders

Dialogue with Employees
MUFG holds town hall meetings and round-table conferences aimed at enhancing mutual understanding between top management and employees and ensuring that MUFG’s visions and policies are shared by all. Furthermore, MUFG's executives often visit branches and interact with the frontline employees who directly engage with customers, exchanging insights about how to enhance MUFG's onsite capabilities. This interaction is an example of their efforts to create a better workplace in which employees’ opinions are reflected in business operations and every employee finds their job rewarding.

Engagement with Communities, Local Societies and the Environment
As members of the communities they serve, MUFG employees proactively participate in volunteer and other locally rooted activities to nurture ties with other community members.

At the same time, MUFG engages with NGOs and NPOs, incorporating the insights and advice such bodies provide into its environmental, social and governance (ESG) initiatives in an effort to maintain the trust and confidence of local societies at home and abroad.

Dialogue with Customers
We are endeavoring to improve our operations and service quality by incorporating customer feedback. Moreover, we are striving to enhance employee skills so that all customers can rest assured about our services. Setting our sights well above the mere protection of customer trust, we are thus striving to build new trust for the future.

Concepts behind MUFG’s Customer Relations
Ensuring the consideration of customer’s perspectives and being fair and sincere in our undertakings are basic to our business operations.

In line with the Corporate Vision, MUFG has published its Principles of Ethics and Conduct, a set of standards each officer and employee should apply to their day-to-day business conduct and decisions. The Principles open with a chapter entitled “Customer Focus,” and we are engaging in exhaustive initiatives to be the embodiment of this tenet.

In addition, MUFG announced the MUFG Basic Policy for Fiduciary Duties to provide unified guiding principles aimed at ensuring that a customer-centric approach is thoroughly embraced by all Group entities.

Monitoring System
For MUFG, comments and requests from customers constitute valuable assets. Each Group company* is continually collecting, analyzing and sharing the “Voice of Customers,” in order to improve its services. Based on this input, in fiscal 2018 we made a total of 345 improvements.

* The Bank, the Trust Bank, MUMSS, NICOS and ACOM

Introducing Universal Design
To ensure that every customer can use its services with confidence, MUFG is pushing ahead with ongoing efforts from two angles: 1) enhancing employees’ customer engagement skills to meet diverse customer needs (hospitality) and 2) developing barrier-free branches capable of accommodating all customers no matter their age, physical condition or disability (facility). As such, we are abiding by the spirit of universal design in various ways.

A Trust Product with Proxy Withdrawal Functions Released
With the rapid aging of society, a growing number of people are expected to develop dementia; a Cabinet Office survey revealed that in 2025 one out of five of those aged 65 or older will be affected by this disease. To address issues arising from this phenomenon, the Trust Bank is offering products and services with asset management functions employing digital technologies.

For example, the Trust Bank released a trust product with proxy withdrawal functions, in March 2019. This product enables family members or other individuals registered as proxies for elderly customers (beneficiaries) to carry out withdrawals on their behalf. Employing a dedicated smartphone app, both the beneficiaries and proxies are allowed to withdraw funds, while notice of any withdrawal request being filed is immediately sent to these individuals as well as to registered non-proxy family members. The app also provides the details of such requests while giving access to account statements.

Other functions include an optional setting for a waiting period that allows the beneficiary, the proxy and family members to confirm or deny any withdrawal request filed.

Sign Language Service Using a Teleconferencing System
The Bank and NICOS are equipped with call center functions that offer access to a teleconferencing system to customers with hearing disabilities or conversational handicaps so that they may connect with operators who use sign language or communicate via text.

In addition, the Bank began offering these services at bank counters from January 2019 onward.
Risk Management

Basic Policy
Since the 2008 financial crisis, financial institutions have been compelled to adopt more comprehensive and sophisticated risk management systems. This risk management function has also grown in importance for MUFG as a global bank with subsidiaries spanning the commercial, trust and investment banking sectors.

MUFG aims to strengthen its Group risk management through the diffusion of a risk culture that strengthens the structure of Group business management as well as integrated risk management. Our goal is effective risk governance that is consistent across regions, subsidiaries and the holding company.

Furthermore, the Risk Appetite Framework provides guidelines for effective risk management that backs our business strategy and financial plan while supporting efforts to avoid unexpected losses and enhance risk return management.

Risk Appetite Framework
The Risk Appetite Framework aims to clarify MUFG’s risk appetite (types and amount of risk that it is willing to accept) as it works to achieve its business strategy and financial plan. The framework is designed to increase management transparency and generate more profit opportunities in an environment where risk is properly controlled.

Risk Appetite Framework Management Process
In the formulation and execution of its business strategy and financial plan, MUFG will set the appropriate level of risk appetite and proceed to monitor and analyze risk volume.

The process of setting and managing risk appetite is outlined on the next page. In order to effectively implement the Risk Appetite Framework, risk evaluation and verification procedures (Top Risk management, stress tests, capital allocation system) will be applied at every stage of the management planning process.

Furthermore, even after the plan is formulated, we are ready to take immediate action in emergency situations through monitoring of the set risk appetite.

Risk Appetite Statement
The Risk Appetite Statement elucidates the Risk Appetite Framework, which embodies MUFG’s attempts to achieve an integrated group strategy along with effective risk management. The Risk Appetite Statement contains an overview of the Risk Appetite Framework (basic policy and management process) as well as specific business strategies, financial plans and risk appetite details.

A summary of the Risk Appetite Statement is distributed throughout the Group in an effort to spread the basic philosophy behind the Risk Appetite Framework.

Through the penetration of risk culture and risk appetite framework, we will take action in anticipation of environmental changes both inside and outside of the Group, while the environment continues to be uncertain.

Risk Management System
- Holding Company (Mitsubishi UFJ Financial Group, Inc.)
- Risk Committee
- Board of Directors
- Executive Committee
- Management Planning Committee (including ALM)
- Corporate Risk Management Committee (including risk management)
- Credit & Investment Management Committee
- Credit Committee
- U.S. Risk Committee
- Corporate Risk Management Div.
- Credit Policy & Planning Div.
- Global Compliance Div.
- Operations & Systems Planning Div.
- Corporate Administration Div.
- Human Resources Div.
- Legal Div.
- Market Risk, Liquidity Risk, Operations Risk, Credit Risk, Market Risk, Credit Risk, Legal Risk
- Information Risk, Regulatory Risk, IT Risk, Tangible Asset Risk, Personnel Risk, Legal Risk

Risk Appetite Setting and Management Process
1. Confirming assumptions for business plan formulation
   Before formulating the overall business plan, assess pressure points for business strategy and financial and capital operations based on the internal and external environment.
   - Future balance sheet simulation based on macroeconomic scenarios

2. Formulate business plan proposal
   In pursuing management’s vision, formulate a business plan proposal based on business strategy, financial plan and risk appetite.
   - Clarify risks to be accepted and risks to be avoided on the basis of Risk Culture

3. Risk appetite assessment and verification
   The risk management divisions will mainly assess the appropriate level of risk appetite. The risk management divisions of the holding company and subsidiaries monitor risk volume in relation to allocated capital and risk appetite.
   - Stress tests may be conducted again in order to reset risk appetite.

4. Business plan decision
   The Executive Committee and Board of Directors discuss and subsequently make decisions based on an integrated view of business strategy, the financial plan and risk appetite.
   - On the basis of the capital allocation system, capital is allocated to subsidiaries and operational divisions in accordance with the level of risk.

5. Risk monitoring
   The risk management divisions of the holding company and subsidiaries monitor risk volume in relation to allocated capital and risk appetite.
   - Forward-looking valuation of internal and external environment based on Top Risk management
   - Regular monitoring of risk appetite compliance

6. Revision of risk appetite
   The risk appetite plan will be revised if monitoring reveals that risk appetite and actual levels of risk diverge, or if environmental factors increase the level of risk.
   - Stress tests may be conducted again in order to reset risk appetite.
   - Discussion between operational divisions and corporate risk management division when the risk appetite is exceeded.
Enterprise Risk Management

MUFG makes every effort to recognize the risks that emerge in the course of business execution, assessing it according to uniform criteria. Enterprise risk management is then conducted while maintaining business stability and striving to maximize shareholder value. Enterprise risk management is a dynamic approach, promoting stable profits commensurate with risk as well as the appropriate allocation of resources.

Enterprise risk management is composed of three main strands: Top Risk management, stress tests and the capital allocation system.

Top Risk Management

The potential losses that emerge from scenario analysis are classified as risks and then their relative importance is weighed according to degree of impact and probability. The risks that need to be watched most closely over the next year are classified as Top Risks and a risk map is created, thereby ensuring a forward-looking approach to risk management. Moreover, this approach also addresses medium- to long-term risks, including those associated with digitalization and ESG issues, with robust measures being prepared to ensure our responsiveness to emergencies.

At MUFG and its core subsidiaries, management is regularly engaged in discussions aimed at addressing Top Risks to ensure that the understanding of these risks is shared throughout their organizations. By doing so, management is implementing effective risk control measures. In addition, conclusions reached via these discussions are reflected in stress test scenarios as necessary to accurately verify our capital adequacy and our business and financial plans.

(Major Top Risks identified by MUFG are as listed below.)

Stress Tests

In formulating its business strategy, MUFG regularly assesses its internal capital adequacy through stress tests based on Basel III capital adequacy regulations.

Stress tests analyze the prevailing economic environment at home and abroad as well as the future outlook while giving due consideration to the MUFG Group’s business structure. The three-year-period scenarios are thus created and utilized to calculate and assess the impact on our capital ratio arising from the materialization of risks. This also helps us verify the propriety of our business strategy.

- **Stress tests for capital adequacy assessment**
  - In formulating its business strategy, MUFG regularly assesses its internal capital adequacy through stress tests based on Basel III capital adequacy regulations.
  - Stress tests analyze the prevailing economic environment at home and abroad as well as the future outlook while giving due consideration to the MUFG Group’s business structure. The three-year-period scenarios are thus created and utilized to calculate and assess the impact on our capital ratio arising from the materialization of risks. This also helps us verify the propriety of our business strategy.

- **Stress tests**
  - Stress tests for capital adequacy assessment

- **Risk scenarios**
  - In formulating its business strategy, MUFG regularly assesses its internal capital adequacy through stress tests based on Basel III capital adequacy regulations.
  - Stress tests analyze the prevailing economic environment at home and abroad as well as the future outlook while giving due consideration to the MUFG Group’s business structure. The three-year-period scenarios are thus created and utilized to calculate and assess the impact on our capital ratio arising from the materialization of risks. This also helps us verify the propriety of our business strategy.

<table>
<thead>
<tr>
<th>Major Top Risks</th>
<th>Risk scenarios</th>
</tr>
</thead>
</table>
| A decline in profitability (excluding a decline in profitability of net interest income) | - Decline in profitability of net interest income due to negative interest rate policy.  
  - Decline in overall profitability due to constraints on balance sheet size caused by regulatory factors. |
| Foreign currency liquidity risk                        | - Depletion of foreign currency liquidity or significant increase in costs due to deterioration of market conditions. |
| An increase in credit costs                           | - Exposure in credit costs in specific sectors and regions with potential credit concentration risk because of the slowdown of real economies around the world due to the U.S. and European central banks’ exit strategies from monetary easing and the heightening tensions in the Korean peninsula, Middle East and other regions with geopolitical risk. |
| IT risk                                                | - Customer information leakage and reputational damage due to cyberattacks. |
| Risk associated with money laundering and economic sanctions | - Payment of compensation costs and reputational damage due to system failure. |

** Foundations of Value

** Risk Management**

Developing and Diffusing a Risk Culture

MUFG defines a Risk Culture as the basic approach that specifies how to take risks and risk management for MUFG’s organizational and individual behaviors. Our Risk Culture is incorporated into the MUFG Group Code of Conduct, a set of standards aimed at guiding judgments and actions undertaken by Group officers and employees in the course of their daily operations. In accordance with our aim to further enhance the Group’s risk governance structure, we are disseminating this Risk Culture throughout the Group so that it is embraced by every employee.

To learn about our MUFG Group Code of Conduct, please refer to page 98.

Cyber Security

MUFG is well aware of its social responsibilities for securing the assets entrusted by its customers and its obligation to provide secure and stable financial services. With this in mind, MUFG has positioned threats posed by cyberattacks and other relevant events as Top Risks. Accordingly, we have appointed a Group Chief Information Security Officer (CISO), and are promoting cyber security measures under management’s leadership.

By having announced the Cyber Security Management Declaration, the summary of initiatives undertaken by MUFG, we have enhanced existing risk identification and prevention activities utilizing the MUFG-CERT, a dedicated team in charge of detecting and responding to cyber threats and subsequent restoration. Furthermore, efforts are under way to raise our incident-response capabilities by establishing and updating procedures/manuals, conducting periodic drills/training and updating our contingency plans.

In April 2019, we established the MUFG Cyber Security Fusion Center, a cyber security specialized task force that is in charge of three intelligence analysis and security monitoring. This task force provides an efficient and effective cyber centric security function for the group globally.

For customers who use digital banking and other services, we ensure the safety and soundness by distributing onetime passwords, smartphone apps and by strengthening security functions etc. in system development.
Compliance

Basic Policy
We have clarified our Group mission, long-term vision and shared values in the Corporate Vision and expressed our commitment to meeting the expectations of customers and society as a whole. Furthermore, we have established the MUFG Group Code of Conduct as the guidelines for how the Group’s directors and employees should act to realize the Corporate Vision. This expresses our commitment to complying with laws and regulations globally, to acting with honesty and integrity, and to behaving in a manner that supports and strengthens the trust and confidence of society.

In addition, as we expand our business globally, we are committed to keeping abreast with developments in the laws and regulations of the jurisdictions in which we operate, including those targeting money laundering and bribery, as well as competition laws, while paying attention to trends in financial crimes.

Compliance Framework
Compliance management divisions have been established at the holding company and the major subsidiaries, namely, the Bank, the Trust Bank and Mitsubishi UFJ Securities Holdings (hereinafter, “three subsidiaries”). Each compliance management division formulates compliance programs and organizes training courses to promote compliance, and regularly reports to each company’s Board of Directors and Executive Committee on the status of compliance activities.

The holding company has the Group Compliance Committee while the three subsidiaries have Compliance Committees operating under their executive committees with the aim of deliberating important compliance matters. Additionally, the holding company has the Group Chief Compliance Officer ("CCO") Committee composed of the CCO of the holding company and the CCOs of the three subsidiaries. This committee deliberates important matters related to compliance and compliance-related issues for which the Group should share a common understanding.

Initiatives to Enhance Global Financial Crimes Compliance Framework
In November, 2017, MUFG Bank established the Global Financial Crimes Division ("GFCD"), which is in charge of Anti-Money Laundering ("AML"), Sanctions Compliance, and Anti-Bribery and Corruption (collectively, “Global Financial Crimes Compliance”). GFCD is headquartered in New York, where the excellence for Global Financial Crimes Compliance is centralized. The aim is to enhance the Bank’s global program to prevent and detect Global Financial Crimes, against the backdrop of the heightened regulatory expectations in that area. At the same time, Regional Financial Crimes Offices under GFCD, which are responsible for the implementation of Financial Crimes Compliance in the region, were established in the Americas, Japan, EMEA and Asia, respectively.

Following the establishment of GFCD in 2017, MUFG GFCD was also established in New York in August, 2018 to ensure a consistent Global Financial Crimes Compliance program across the Group.

GFCD is establishing policies that define the governance and oversight structure for the management of the Financial Crimes Compliance framework across MUFG and provide the foundation for the implementation of the Financial Crimes Compliance program in a manner that is commensurate with the strategies, business activities, and risk profiles of each Group Company as well as standards that define more detailed requirements.

Under GFCD’s leadership, MUFG will implement the Financial Crimes Compliance policies and standards across all of MUFG, ensuring a consistent and integrated approach. Furthermore, GFCD will develop a program framework to maintain the effectiveness of the program throughout the Group globally.

In addition, toward the upcoming 4th FATF Mutual Evaluation in Japan in fiscal 2019, we recognize the paramount importance and urgency of enhancing Global Financial Crimes Compliance functions in Japan, as a financial institution that takes important part in Japanese financial system. We are currently working on the tightening of procedures related to verification at the time of transaction, etc, in line with regulatory requirements and expectations.

Revising the MUFG Group Code of Conduct to Encourage “Doing the Right Thing”
Today, businesses at home and abroad are exposed to a growing risk of a decline in corporate value resulting from the violation of legal regulations or ethical standards. With an eye to securing responsiveness to this risk, in April 2019 we revised the MUFG Group Code of Conduct (hereinafter, the “Code of Conduct”), which provides guidelines to be referred to by each officer and employee to encourage them to “Do the Right Thing” in the course of business activities.

Specifically, the revised Code of Conduct is equipped with a checklist available to Group employees for their reference whenever they have concerns or are unsure of their judgment. The revision also clearly defined the roles and responsibilities of managers, who are expected to serve as a role model of their staff.

For the full text of the Code of Conduct, please also visit our corporate website URL: https://www.mufg.jp/dam/profile/governance/ethics/pdf/codeofconduct_en.pdf
Internal Audit

Role of the Internal Audit
Internal audit functions verify the adequacy and effectiveness of internal control systems from a standpoint independent of operating functions. This includes monitoring the status of risk management and compliance systems, which are critical to the maintenance of sound and appropriate business operations. Internal audit results are reported to senior management. An additional role of the internal audit is to make suggestions to help improve or rectify any issues or specific problems that are identified.

Group Internal Audit Framework
The MUFG Group has internal audit functions at the holding company level as well as at the subsidiary level that are designed to enable the Group to provide coverage for all operations and support the Board of Directors of the holding company in the exercise of its supervisory functions.

In addition to having primary responsibility for initiating and preparing plans and proposals related to internal audits of the Group, the internal audit division at the holding company monitors and, as necessary, guides, advises and administers the internal audit divisions of subsidiaries and affiliated companies.

Implementing Effective and Efficient Internal Auditing
To ensure that internal audit processes use available resources with optimal effectiveness and efficiency, the internal audit divisions implement risk-focused internal audits in which the nature and magnitude of the associated risks are considered in determining audit priorities and the frequency and depth of internal audit activities. In addition, internal auditors attend key meetings, collect important internal control documents and implement other necessary measures to facilitate efficient off-site monitoring.

Reports to the Audit Committee
The holding company has an audit committee within its Board of Directors as required by the Companies Act of Japan.

The internal audit division reports to the committee on important matters, including governing principles for internal audit plans and the results of internal audits.

MUFG Internal Audit Activity Charter
In April 2019, the MUFG Group adopted the “MUFG Internal Audit Activity Charter,” which defines its basic policies for internal auditors, including their mission, purposes, responsibilities, and roles. This charter encourages internal auditors to conduct internal audits in accordance with the global standards set by the Institute of Internal Auditors, thereby contributing to the enhancement of the corporate value of the Group and to the achievement of the Group’s corporate vision. This charter is thus designed to raise the acuity of internal auditors.

Responding to Global Financial Regulations

The Status of Our Compliance with Prudential Regulations
As of March 31, 2019, the following Basel III requirements are applied, and MUFG has been compliant, meeting the required level for each item.

<table>
<thead>
<tr>
<th>Risk-weighted asset basis</th>
<th>16.0%</th>
<th>18.16%*3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>10.04%</td>
<td>13.90%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>12.04%</td>
<td>16.03%</td>
</tr>
<tr>
<td>Leverage Ratio</td>
<td>3.0%</td>
<td>4.94%</td>
</tr>
</tbody>
</table>

*3 Excluding a capital buffer.

Upcoming Regulations MUFG Must Comply with in the Future
Implementation of Agreed-Upon Global Standards
With the December 2017 finalization of revised Basel III framework, international regulatory reforms aimed at securing preparedness to the global financial crisis are deemed generally completed. Looking ahead, MUFG is called to maintain compliance with the following international standards that will be applicable to domestic banks.

<table>
<thead>
<tr>
<th>Main items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Stable Funding Ratio (NSFR)</td>
</tr>
<tr>
<td>Upwardly revised External TLAC Ratio requirements</td>
</tr>
<tr>
<td>Risk-weighted asset basis (18.0%)</td>
</tr>
<tr>
<td>Total exposure basis (6.75%)</td>
</tr>
<tr>
<td>Upwardly revised leverage ratio requirements (3.75%)</td>
</tr>
<tr>
<td>Revisions to various risk-weighted asset measurement methodologies</td>
</tr>
<tr>
<td>Standard credit risk measurement methodology</td>
</tr>
<tr>
<td>Internal rating methods for credit risks</td>
</tr>
<tr>
<td>Credit assessment adjustment risks</td>
</tr>
<tr>
<td>Fundamental Review of Trading Book (FRTB)</td>
</tr>
<tr>
<td>Operational risks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output floor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit assessment adjustment risks</td>
</tr>
<tr>
<td>Internal rating methods for credit risks</td>
</tr>
<tr>
<td>Credit assessment adjustment risks</td>
</tr>
<tr>
<td>Fundamental Review of Trading Book (FRTB)</td>
</tr>
<tr>
<td>Operational risks</td>
</tr>
</tbody>
</table>

Addressing the TBTF Problem
All G-SIBs, including MUFG, are required to prepare recovery plans aimed at reducing the possibility of failure and secure ability to take practical steps to ensure orderly resolution. As one of the G-SIBs facing growing calls for a definitive solution for the so-called TBTF (too-big-to-fail) problem, MUFG is steadily upgrading countermeasures in place to satisfy the aforementioned requirements.

Outlook
For the international standards to take full effect, it is quite important to ensure their timely and consistent implementation in each jurisdiction. However, there are deviations in some jurisdictions, prompting growing concerns about market fragmentation in countries around the globe.

Moreover, the global economy may be hit by a major crisis caused by unexpected factors. We must also be vigilant against newly emerging risks arising from technological advancements or climate change.

With this in mind, MUFG will strive to realize an optimal global financial regulatory framework so that it will contribute to global economic growth, which is the fundamental role of financial institutions.
## Ten-Year Summary of Major Financial Data

### Financial Data / Corporate Data

<table>
<thead>
<tr>
<th>Currency exchange rate (JPY/USD) (yen)</th>
<th>FY 2006</th>
<th>FY 2009</th>
<th>FY 2013</th>
<th>FY 2017</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>103.04</td>
<td>83.15</td>
<td>83.19</td>
<td>94.05</td>
<td>102.92</td>
</tr>
</tbody>
</table>

### Income statements summary

- **Net operating profits before credit costs for trust accounts**: (Billions of Yen)
- **Total credit costs**: (Billions of Yen)
- **Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses**: (Billions of Yen)
- **Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses**: (Billions of Yen)
- **Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses**: (Billions of Yen)
- **PBR*3 (times)**: ROE JPX definition
- **PBR*3 (times)**: ROE MUFG definition
- **Dividend payout ratio**: %

### Balance sheets summary

- **Total assets**: (Billions of Yen)
- **Loans and bills discounted**: (Billions of Yen)
- **Securities**: (Billions of Yen)
- **Total liabilities**: (Billions of Yen)
- **Net worth**: (Billions of Yen)
- **Net total assets**: (Billions of Yen)
- **Total shareholders’ equity**: (Billions of Yen)
- **Retained earnings**: (Billions of Yen)
- **Total accumulated other comprehensive income**: (Billions of Yen)
- **Non-controlling interests**: (Billions of Yen)

### Financial Ratios

- **Current ratio (current assets x current liabilities)**: -
- **Total assets**: (%)
- **Equity**: (Billions of Yen)
- **Dividends per share (EPS) (yen)**: -
- **Earnings per share (EPS) (yen)**: -
- **Book value per share (BVPS) (yen)**: -
- **Capital adequacy ratio**: -
- **Total number of shares (excluding own shares) (million shares)**: -
- **Shares price (year end)**: (Yen)
- **P/E** (times): -
- **P/B** (times): -

### Income statements summary

- **Net operating profits before credit costs for trust accounts**: (Billions of Yen)
- **Total credit costs**: (Billions of Yen)
- **Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses**: (Billions of Yen)
- **Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses**: (Billions of Yen)
- **Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses**: (Billions of Yen)
- **PBR*3 (times)**: ROE JPX definition
- **PBR*3 (times)**: ROE MUFG definition
- **Dividend payout ratio**: %

---

*MUFG Bank, Ltd. (non-consolidated) + Mitsubishi UFJ Trust and Banking Corporation (non-consolidated) (without any adjustments)

**Financial Data / Corporate Data**

*MUFG Report 2019*
## Consolidated Financial Statements

### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks</td>
<td>74,206,899</td>
<td>74,713,689</td>
<td>74,713,689</td>
</tr>
<tr>
<td>Call loans and bills bought</td>
<td>45,918,988</td>
<td>42,285,381</td>
<td>42,285,381</td>
</tr>
<tr>
<td>Receivables under securities agreements</td>
<td>10,868,179</td>
<td>5,947,875</td>
<td>5,947,875</td>
</tr>
<tr>
<td>Receivables under securities borrowings</td>
<td>2,795,363</td>
<td>9,266,366</td>
<td>9,266,366</td>
</tr>
<tr>
<td>Money held in trust</td>
<td>912,961</td>
<td>943,163</td>
<td>943,163</td>
</tr>
<tr>
<td>Securities</td>
<td>64,262,463</td>
<td>58,266,170</td>
<td>58,266,170</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>9,543,707</td>
<td>9,826,489</td>
<td>9,826,489</td>
</tr>
<tr>
<td>Other assets</td>
<td>12,836,412</td>
<td>12,176,023</td>
<td>12,176,023</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>1,359,972</td>
<td>1,369,977</td>
<td>1,369,977</td>
</tr>
<tr>
<td>Buildings</td>
<td>361,580</td>
<td>302,961</td>
<td>302,961</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>674,348</td>
<td>603,572</td>
<td>603,572</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>11,078</td>
<td>15,267</td>
<td>15,267</td>
</tr>
<tr>
<td>Other intangible fixed assets</td>
<td>251,409</td>
<td>238,337</td>
<td>238,337</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>151,231</td>
<td>155,514</td>
<td>155,514</td>
</tr>
<tr>
<td>Loans</td>
<td>1,367,100</td>
<td>1,348,857</td>
<td>1,348,857</td>
</tr>
<tr>
<td>Lease assets</td>
<td>198</td>
<td>198</td>
<td>198</td>
</tr>
<tr>
<td>Other intangible fixed assets</td>
<td>365,790</td>
<td>455,622</td>
<td>455,622</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>7,764,709</td>
<td>7,589,086</td>
<td>7,589,086</td>
</tr>
<tr>
<td>Other intangible fixed assets</td>
<td>503,651</td>
<td>489,917</td>
<td>489,917</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>807,139</td>
<td>807,139</td>
<td>807,139</td>
</tr>
<tr>
<td>Total assets</td>
<td>311,138,903</td>
<td>306,937,415</td>
<td>306,937,415</td>
</tr>
</tbody>
</table>

### Consolidated Financial Results

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>180,171,279</td>
<td>177,312,310</td>
<td>177,312,310</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>6,315,420</td>
<td>9,854,767</td>
<td>9,854,767</td>
</tr>
<tr>
<td>Payables under securities agreements</td>
<td>333,231</td>
<td>8,196,581</td>
<td>8,196,581</td>
</tr>
<tr>
<td>Transactions</td>
<td>2,234,016</td>
<td>2,165,909</td>
<td>2,165,909</td>
</tr>
<tr>
<td>Interest</td>
<td>14,193,850</td>
<td>12,426,727</td>
<td>12,426,727</td>
</tr>
<tr>
<td>Foreign exchanges</td>
<td>2,271,745</td>
<td>2,057,524</td>
<td>2,057,524</td>
</tr>
<tr>
<td>Short-term bonds payable</td>
<td>793,999</td>
<td>847,299</td>
<td>847,299</td>
</tr>
<tr>
<td>Due to trust accounts</td>
<td>36,029,357</td>
<td>36,029,357</td>
<td>36,029,357</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>79,238</td>
<td>86,581</td>
<td>86,581</td>
</tr>
<tr>
<td>Reserve for bonuses to directors</td>
<td>689</td>
<td>807</td>
<td>807</td>
</tr>
<tr>
<td>Financial leasing receivables and guarantees</td>
<td>10,814</td>
<td>10,814</td>
<td>10,814</td>
</tr>
<tr>
<td>Customer credit balances and guarantees</td>
<td>9,378,252</td>
<td>9,463,156</td>
<td>9,463,156</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>279,877,325</td>
<td>289,842,377</td>
<td>289,842,377</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Profits</th>
<th>FY 2019 (Millions of Yen)</th>
<th>FY 2017 (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income</td>
<td>949,758</td>
<td>1,095,940</td>
</tr>
<tr>
<td>Other comprehensive income attributable to owners of parent company (losses)</td>
<td>(125,622)</td>
<td>208,021</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>63,366</td>
<td>(56,001)</td>
</tr>
<tr>
<td>Net deferred gains (losses) on hedging instruments</td>
<td>(179,340)</td>
<td>216,185</td>
</tr>
<tr>
<td>Revaluations of defined benefit plans</td>
<td>(73,141)</td>
<td>145,534</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates accounted for using equity method</td>
<td>(44,893)</td>
<td>(30,918)</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>(262,766)</td>
<td>234,955</td>
</tr>
</tbody>
</table>

### Profits attributable to non-controlling interests | 686,992 | 1,330,891 |

## Consolidated Statements of Comprehensive Income

### Profits attributable to owners of parent company | 615,166 | 1,209,604 |

### Profits attributable to non-controlling interests | 71,825 | 121,287 |
## Consolidated Statements of Changes in Net Assets

### FY 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the period</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>7,215,137</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>7,619,101</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,733,315</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>1,042,206</td>
</tr>
<tr>
<td>Total              <strong>Balance at the beginning of the period</strong></td>
<td><strong>16,619,769</strong></td>
</tr>
<tr>
<td><strong>Changes during the period</strong></td>
<td></td>
</tr>
<tr>
<td>Changes in subsidiaries' equity</td>
<td>(5,237,039)</td>
</tr>
<tr>
<td>Profits attributable to owners of parent</td>
<td>2,063,070</td>
</tr>
<tr>
<td>Retirement of treasury stock</td>
<td>(920,292)</td>
</tr>
<tr>
<td>Reversal of land revaluation excess</td>
<td>85,412</td>
</tr>
<tr>
<td><strong>Total changes during the period</strong></td>
<td><strong>(3,442,286)</strong></td>
</tr>
<tr>
<td><strong>Restated balance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at the end of the period</strong></td>
<td><strong>13,177,483</strong></td>
</tr>
<tr>
<td><strong>Balance at the end of the period</strong></td>
<td><strong>13,177,483</strong></td>
</tr>
</tbody>
</table>

### FY 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the period</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>7,162,137</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>7,611,101</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,733,315</td>
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<td>Treasury stock</td>
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<td>Total              <strong>Balance at the beginning of the period</strong></td>
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## Consolidated Statements of Changes in Net Assets

### FY 2018

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<th>Amount (Millions of Yen)</th>
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<td>Capital stock</td>
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<tr>
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<td>7,619,101</td>
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<tr>
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## Consolidated Statements of Changes in Net Assets

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<td><strong>13,107,483</strong></td>
</tr>
</tbody>
</table>

## Financial Data / Corporate Data

- **Cash dividends**: FY 2018 (85,412), FY 2017 (79,216)
- **Profits attributable to owners of parent**: FY 2018 (2,063,070), FY 2017 (2,063,070)
- **Changes in subsidiaries’ equity**: FY 2018 (-5,237,039), FY 2017 (-5,237,039)

## Additional Notes

- **Net cash provided by (used in) investing activities**: FY 2018 (56,672,546), FY 2017 (56,726,565)
- **Net cash provided by (used in) financing activities**: FY 2018 (66,595,081), FY 2017 (56,726,565)
- **Net cash provided by (used in) operating activities**: FY 2018 (1,210,303,137), FY 2017 (1,210,303,137)

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## Income Statement

### FY 2018 vs FY 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2018 (Millions of Yen)</th>
<th>FY 2017 (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income taxes</strong></td>
<td>(384,496)</td>
<td>(384,496)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>5,609,305</td>
<td>12,310,173</td>
</tr>
</tbody>
</table>

---

## Balance Sheet

### FY 2018 vs FY 2017

<table>
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<th>FY 2017 (Millions of Yen)</th>
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<tbody>
<tr>
<td><strong>Balance at the beginning of the period</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Balance at the end of the period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Company Overview

Major MUFG Group Companies
[As of August 1, 2019]

• Consolidated subsidiary  • Equity method investee

Mitsubishi UFJ Financial Group

Commercial Bank
• Mitsubishi UFJ Bank
• Bank of Ayudhya Public Company Limited
• PT Bank Danamon Indonesia, Tbk.
• Security Bank Corporation
• Vietnam Joint Stock Commercial Bank for Industry and Trade

Commercial Bank Holding Company
• MUFG Americas Holdings Corporation

Trust Bank
• Mitsubishi UFJ Trust and Banking
• The Master Trust Bank of Japan
• Mitsubishi UFJ Investor Services & Banking (Luxembourg)

Securities
• Mitsubishi UFJ Securities Holdings (Securities Holding Company)
• Mitsubishi UFJ Morgan Stanley Securities
• Mitsubishi UFJ Morgan Stanley PB Securities
• kabu.com Securities
• MUFG Securities (Canada)
• MUFG Securities EMEA
• Mitsubishi UFJ Trust International
• MUFG Securities Asia (Singapore)
• MUFG Securities Asia
• Morgan Stanley MUFG Securities

Credit Cards / Consumer Finance / Installment Credit
• Mitsubishi UFJ NICOS
• ACOM
• JACCS
• JALCARD

Leasing
• Mitsubishi UFJ Lease & Finance
• Hitachi Capital

Asset Management
• MU Investments
• Mitsubishi UFJ Kokusai Asset Management
• Mitsubishi UFJ Asset Management (UK)
• Mitsubishi UFJ Baillie Gifford Asset Management
• MUFG Lux Management Company
• Colonial First State Global Asset Management

Holding Company
• MUFG Investor Services Holdings (Fund Management)
• AMP Capital Holdings (Asset Management)

Internet Bank / Regional Bank
• Jibun Bank
• The Chukyo Bank

Others
• Mitsubishi UFJ Real Estate Services
• Japan Digital Design
• MUFG Innovation Partners
• Global Open Network
• MUMEC Visionary Design, Ltd.
• Mitsubishi Research Institute DCS

Corporate Information
[As of March 31, 2019]

Company Name: Mitsubishi UFJ Financial Group, Inc.
Head Office: 7-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8330, Japan
Date of Establishment: April 2, 2001
Amount of Capital: ¥2,141.5 billion
Common Stock Issued: 13,667,770,520 shares
Stock Listing: Tokyo Stock Exchange, Nagoya Stock Exchange, New York Stock Exchange
Ticker Symbol Number: 8306 (Tokyo Stock Exchange, Nagoya Stock Exchange) MUFG (New York Stock Exchange)
Number of Shareholders: 695,521

Stock Price

\[ \text{MUFG} \quad \text{Tokei225} \]

Ownership and Distribution of Shares*

- Securities: 4.99%
- Government and local governments: 0.02%
- Corporations: 13.14%
- Financial institutions, etc.: 35.72%
- Individuals and others: 14.10%

* Excludes treasury shares and fractional shares

Website

For more detailed information, please refer to our website.

About MUFG
https://www.mufg.jp/english/ (English)

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