Greetings from the Newly Appointed Group CFO

My name is Tetsuya Yonehana. Having been appointed as Group CFO in April 2020, I am pleased to have this opportunity to address our stakeholders. Despite the unclear outlook for the business environment due to the unprecedented COVID-19 pandemic, I am determined to ensure the Group’s continued soundness through good financial and capital management aimed at securing sustainable growth while addressing issues society is now confronting.

Analysis of the Current Operating Environment

Overview of Fiscal 2019 Operating Results

In fiscal 2019, consolidated net operating profits, which represent our earnings power in its mainstay operations, totaled ¥1,184.4 billion, up ¥105.8 billion year on year. This was primarily due to an increase in net trading profits and growth in revenue reflecting the consolidation of Bank Danamon in Indonesia and the Australia-based asset manager First Sentier Investors (FSI). This marks the first time in the last five fiscal years that we have succeeded in recording growth in net operating profits, thanks to our steadfast efforts to reverse an ongoing downward trend.

However, profits attributable to owners of the parent fell ¥344.5 billion to ¥528.1 billion, due to higher credit costs resulting from the absence of the reversal of allowances for fiscal 2018 credit losses and the additional allowance in response to the fallout from the COVID-19 pandemic, as well as the recording of extraordinary losses from the one-time amortization of goodwill related to overseas subsidiaries.

Consolidated Income Statement Summary

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (bn)</th>
<th>¥2019 (bn)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Gross profits</td>
<td>3,725.7</td>
<td>3,986.3</td>
<td>260.5</td>
</tr>
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<td>2 G&amp;A expenses</td>
<td>2,647.1</td>
<td>2,801.8</td>
<td>154.7</td>
</tr>
<tr>
<td>3 Net operating profits</td>
<td>1,078.6</td>
<td>1,184.4</td>
<td>105.8</td>
</tr>
<tr>
<td>4 Expense ratio</td>
<td>71.0%</td>
<td>70.2%</td>
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<td>6 Profits attributable to owners of parent</td>
<td>872.6</td>
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</tr>
<tr>
<td>7 Dividends per share (yen)</td>
<td>22.00</td>
<td>25.00</td>
<td>3.00</td>
</tr>
<tr>
<td>8 CET1 capital ratio*</td>
<td>11.4%</td>
<td>11.7%</td>
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* Estimated ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis

Review of the Outcomes of Initiatives under the Medium-Term Business Plan: Second Year

We have contained the expense ratio, one of three financial targets defined under the medium-term business plan (MTBP), at 70.2% for fiscal 2019. This figure represents a year-on-year improvement and is lower than the level estimated in the MTBP. Assessing our financial soundness, our Common Equity Tier 1 (CET1) capital ratio (on a finalized Basel III reforms basis) remained robust at 11.7%, surpassing the target level of around 11%. On the other hand, ROE, an indicator for capital profitability, fell significantly to 3.85% from 6.45% in fiscal 2018, reflecting a substantial decrease in profits attributable to owners of the parent. However, the turnaround in consolidated net operating profits and a steady increase in customer segment net operating profits suggest that we were able to make some progress toward future growth.

MUFG’s Social Mission as a Financial Institution and Efforts to Maintain Soundness

In the face of the fallout from the COVID-19 pandemic and its effects on real economies, MUFG believe that meeting customer needs for fundraising and other financial solutions is its social mission. Accordingly, we will do our utmost to accommodate customer requests for support. By doing so, we help customers address issues they confront while contributing to economic recovery. We expect these initiatives will eventually help MUFG secure future growth.

In order to fulfill our social mission, securing soundness as a financial institution is essential. To this end, the maintenance of solid equity capital and a robust volume of non-JPY funds with sufficient liquidity is a matter of great importance.

From the perspective of maintaining capital soundness, we will continue to exercise stringent control of risk-weighted assets (RWAs).

As for non-JPY liquidity, although the balance of non-JPY lending is in excess of non-JPY deposits, we have been able to secure a stable volume of customer deposits and medium- to long-term funding from the market to cover funds for lending. Therefore, we have no specific concerns in terms of liquidity.

Financial Management and Business Plan

Business Portfolio Strategy

To date, MUFG has taken 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 below provides an overview of MUFG’s business portfolio strategy. The vertical and horizontal axes represent capital efficiency (market average for ROE) and market growth potential (market average for gross profit growth ratio), respectively. Each MUFG business is plotted in the diagram, with the size of the circle reflecting its relative scale of operations in terms of revenue.

In recent years, MUFG has increasingly focused on expanding businesses found in the upper right portion of the diagram. These businesses are expected to have higher ROE and achieve gross profit growth. In this way, we have been shifting the center of our entire business portfolio to high-profitability, high-growth fields. We have also diversified our business portfolio by developing asset management & investor services (AM/IS), securities, consumer finance and other businesses.

We believe that the turnaround in consolidated net operating profits in fiscal 2019 is indicative of the

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MUFG’s Business Portfolio Shift

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<td>Commercial banking (Europe)</td>
<td>High</td>
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<td>Commercial banking (Asia)</td>
<td>High</td>
</tr>
<tr>
<td>Lease (Asia)</td>
<td>High</td>
</tr>
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<td>High</td>
</tr>
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<td>Securities (Europe)</td>
<td>High</td>
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CF: Consumer Finance, IS: Investor Services, AM: Asset Management

Message from the CFO

Practicing Solid Financial & Capital Management to Improve Our Corporate Value

Tetsuya Yonehana
Group CFO

MUFG Report 2020
Management Message

Message from the CFO

Success of our efforts to improve profitability and diversify sources of stable profits through the practice of this business portfolio strategy.

Also, the consolidation of Bank Danamon and FSI in fiscal 2019, further boosted our expansion into high-growth fields and the diversification of our business portfolio. Moreover, as part of our digitalization strategies, we invested in and signed a strategic alliance with Grab, a major Southeast Asian super app company, to initiate our efforts to take on the new challenge of creating next-generation financial services.

We have thus completed a string of growth investments as envisioned in the MTBP. We have now entered a phase in which we are looking ahead to securing returns from such investments. With this in mind, we will help investees develop their governance structures while pursuing synergies within the MUFG Group. At the same time, we will optimally allocate our management resources in light of growth potential of each region and business. In these ways, we will maximize returns from our investments.

Cost Control

Controlling expenses has long been an important challenge for MUFG. Addressing this challenge, we have strategically allocated expenses for digitalization and other future growth initiatives while curbing personnel expenses, system expenses and branch and other facility costs. As a result, fiscal 2019’s overall expenses fell short of the amount anticipated in the MTBP. Similarly, the expense ratio was lower than the target ratio under the MTBP.

Nevertheless, maintaining a tight grip on expenses is more important than ever. In addition to accelerating ongoing cost structure reforms, we will strive to achieve further cost reductions by thoroughly reviewing our modes of operations and business processes in light of the digital shift and other changes in society.

RWA Control

In terms of controlling our management resources, RWA control is as important as cost control. In the face of growing calls to maintain soundness in conformity with regulations, MUFG recognizes that maintaining controls on RWAs, in a way that maximizes profits is an important management issue for a financial institution.

Examples of factors leading to changes in RWAs

- Inorganic growth
  - Consoliation of Bank Danamon
  - Acquisition of aviation finance business
  - Reduction of equity holdings: Solid ¥733.0 billion*2

- Business groups
  - Reduction in low profitable assets: Reduced ¥2.5 trillion**
  - Financial supports in response to the COVID-19

- Upgrade Risk measurement method
  - Decrease of RWA by ¥7 trillion**

*1 Estimated RWA in the finalized Basel III reforms basis
*2 Cumulative amount since FY2015, on an acquisition cost basis
*3 Cumulative amount since FY2017
*4 Reduction amount of estimated RWA in finalized Basel III reforms basis through upgrading risk measurement method

To date, MUFG has sought to secure greater profits by expanding the volume of RWAs, such as loans. However, since the launch of the current MTBP, we have switched to an approach that is more conscious of the profitability of capital. For example, we are now focused on maximizing profits via asset portfolio recycling to avoid the expansion of RWA volume.

Thanks to these initiatives, in fiscal 2019 we have maintained a steady increase in net operating profits from customer segments despite a significant reduction in RWAs totaling approximately ¥9 trillion (on a finalized Basel III reforms basis). In sum, our initiatives to improve the profitability of capital have yielded steady outcomes.

Looking ahead, we will strive to improve ROE and, to this end, maintain controls on RWAs from the perspective of effective utilization of capital while stepping up efforts aimed at enhancing profitability.

Fiscal 2020 Financial Targets

For fiscal 2020, we had previously aimed to achieve three financial targets under the MTBP, namely, ROE of approximately 7% to 8%, an expense ratio of below 68%, and CET1 capital ratio of approximately 11% (on a finalized Basel III reforms basis). However, the fallout from the COVID-19 pandemic necessitated revisions in these targets.

Currently, it is difficult to determine the pandemic’s future impact on the Group’s operating results. However, referring in part to the baseline scenario in the world economic outlook released by IMF in April 2020, we have set our target for profits attributable to owners of the parent at ¥550.0 billion based on certain assumptions.

Despite a lingering sense of uncertainty regarding the economic impact of the COVID-19 pandemic, we will strive to achieve our fiscal 2020 financial targets and, to this end, accelerate our initiatives focused on both profitability and costs. Furthermore, we will also push ahead with efforts to achieve future growth with an eye to securing opportunities in the aftermath of the pandemic.

Capital Management

Basic Policy

MUFG maintains a focus on capital management that achieves an appropriate balance among “capital triangle” objectives, as stated below.

Trust and reliability, which are the indispensable traits of a financial institution, are largely dependent on its financial soundness. Accordingly, we focus on maintaining soundness while improving profitability and pursuing corporate growth in addition to maximizing shareholder value via such means as the enhancement of shareholder returns. This, we believe, is a matter of the utmost importance in capital management.

Capital Triangle

(Figures represent the sum of profits earned over the course of the last two years under the current MTBP)

1. Maintain solid equity capital
   - Approx. ¥1.8 trillion (approx. 40% of profits)

2. Strategic investments for sustainable growth
   - Investments undertaken to secure growth: ¥1.1 trillion (approx. 30% of profits)

3. Enhance further shareholder returns
   - Spendings on shareholder returns: Approx. ¥0.8 billion (approx. 10% of profits)

Fiscal 2020 Targets

<table>
<thead>
<tr>
<th>Consolidated performance (Billions of yen)</th>
<th>FY2019 results</th>
<th>FY2020 targets</th>
<th>Estimated impact of the COVID-19*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits before credit losses</td>
<td>1,184.4</td>
<td>1,050.0</td>
<td>(300.0)</td>
</tr>
<tr>
<td>Total credit costs</td>
<td>(222.9)</td>
<td>(450.0)</td>
<td>(200.0)</td>
</tr>
<tr>
<td>Ordinary profits</td>
<td>1,357.7</td>
<td>850.0</td>
<td>(600.0)</td>
</tr>
<tr>
<td>Profits attributable to owners of parent</td>
<td>528.1</td>
<td>550.0</td>
<td>(420.0)**</td>
</tr>
</tbody>
</table>

*1 Comparison with targets assuming no COVID-19 pandemic
*2 Calculated by using the ratio of 30%
Management Message

Message from the CFO

ratings for the Company remain at “single-A” or higher.
Credit ratings are important indices affecting MUFG’s ability to secure stable and long-term funding in non-JPY currencies, which, in turn, supports the Group’s operations. We therefore believe that the Company must keep its credit ratings at “single-A” or higher to ensure stable and low-cost non-JPY funding via the issuance of foreign bonds in European and U.S. bond markets and medium- to long-term currency swap transactions.

In addition, the issuance of foreign bonds is also considered an important funding method from the perspective of satisfying Total Loss Absorbing Capacity (TLAC) regulations applied to G-SIBs. In fiscal 2019, MUFG raised regulatory capital totaling approximately ¥1.8 trillion, including a portion raised by foreign bonds and subordinated debt issuance, to satisfy external TLAC requirements. As of March 31, 2020, the Company’s external TLAC ratio was 18.62%, above the 16% minimum regulatory requirement (18% from March 31, 2022 onward).

Strategic Investments for Sustainable Growth

Having positioned capital utilization aimed at enhancing profitability as one of essential methods for achieving sustainable corporate growth and improving corporate value, we also pursue such endeavors as the expansion of strategic investments and RWAs.

Of these, we have been engaged in strategic investments, as stated earlier, in operations that are expected to have higher ROC and a robust potential for market-driven growth. In fiscal 2019, we invested in Bank Danamon, FSI and Grab. From the perspective of capital efficiency, these strategic investments are greenlighted only when the expected return on investment is expected to exceed the cost of capital within an allotted time frame. Looking ahead, we will maintain disciplined capital management and, to this end, closely monitor the profitability of each project, taking a stringent approach to investment. Moreover, we will continue to review existing investments to optimize the overall portfolio of strategic investments.

Further Enhancement of Shareholder Returns

Further enhancing shareholder returns and shareholder value remains an important management issue for MUFG.

In line with our Basic Policies for Shareholder Returns, MUFG (1) has positioned share dividends as the primary means for shareholder returns while aiming for stable and sustainable increases in dividends per share through profit growth, (2) has taken a flexible stance toward executing share repurchases in a way that gives due consideration to performance progress / forecast and capital situation, strategic investment opportunities and market environment including share prices, (3) will cancel treasury shares in excess of approximately 5% of the total number of issued shares. Based on these policies, MUFG paid a full-year dividend of ¥25 per share for fiscal 2019, an increase of ¥3 per share from the previous fiscal year in addition to expending ¥45.0 billion in share repurchases. For fiscal 2020, the Company plans to pay ¥25 per share, an amount on par with the full-year dividend for fiscal 2019, from the viewpoint of maintaining the stable stream of dividends in line with the basic policies despite the unclear outlook for the profit environment.

Divestment of Equity Holdings

Our goal is to reduce our equity holdings by an amount equivalent to ¥800.0 billion (on an acquisition-cost basis) over the six years from fiscal 2015 to fiscal 2020. In fiscal 2019, we divested such holdings worth ¥139.0 billion, thereby achieving a ¥733.0 billion reduction in cumulative total since fiscal 2015. Considering that, as of March 31, 2020, we have also reached agreement with our corporate clients with regard to the future divestment of equity holdings worth ¥163.0 billion, we are certain to have achieved a reduction totaling ¥816.0 billion in near future.

Equity holdings divestment is a key capital management measure, as it frees up capital resources and helps reduce financial risk arising from share price fluctuations. Going forward, we aim to further divest equity holdings while engaging in dialogue with our corporate clients to secure their understanding.

Compliance with Tax Regulations and Tax Planning

MUFG recognizes that as a corporate citizen, putting its best efforts 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. Through these initiatives, we aim to ensure compliance with the letter and 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. To this end, we have made digital-related investments using the IoT tax system (IT Investment Incentive for “Connected Industries”) in fiscal 2019 as well as fiscal 2018.

Initiatives to Address Environmental and Social Issues

In fiscal 2019, we became the first domestic financial institution to issue Green Bonds and social bonds denominated in Australian dollars. In fiscal 2020, we also issued sustainability bonds as part of ongoing engagement with ESG issues and SDGs from the aspect of financial strategy (please also see pages 58 to 59 for details).

Value of Green/Social/Sustainability Bonds Issued by MUFG (From FY2019 onward)

<table>
<thead>
<tr>
<th>Type</th>
<th>Issue date</th>
<th>Currency</th>
<th>Value (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Bonds</td>
<td>July 2019</td>
<td>Euro</td>
<td>500</td>
</tr>
<tr>
<td>Social Bonds</td>
<td>October 2019</td>
<td>Australian dollar</td>
<td>500</td>
</tr>
<tr>
<td>Sustainability Bonds</td>
<td>December 2019</td>
<td>U.S. dollar</td>
<td>90</td>
</tr>
</tbody>
</table>

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 of 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 2019 (please also see page 83 for examples of dialogues held), while the heads of six business groups participated in an Investors’ Days event.

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, stepping up both investor relations (IR) and shareholder relations (SR) engagement with those charged with exercising voting rights.

Shareholder 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 and improving our corporate value. We ask for your continued support in this endeavor.