Capturing Opportunities Arising from Asia’s Economic Growth to Secure Sustainable Growth

MUFG engages in the commercial banking business through its partner banks—which are its investees—based in the United States and ASEAN nations. This partnership allows us to offer a variety of services aimed at providing solutions to issues confronting individual customers, SMEs, large corporate clients and the communities in which we operate.

Our History of Expansion into Asia

MUFG has positioned Asia our second “home market” and is proactively pushing ahead with investments in the ASEAN region with the aim of capturing opportunities arising from the region’s burgeoning economic growth. To date, MUFG has invested a total of more than US$14.0 billion in four commercial banks located in Thailand, Indonesia, Vietnam and the Philippines, successfully building an extensive commercial banking platform to serve key ASEAN nations in April 2019. By utilizing this platform, we will deliver solutions that will leverage on MUFG’s unique strength to full advantage while helping these partner banks improve their corporate value.

MUFG’s Partner Bank Networks

MUFG’s financial services provide support for the businesses of its partner banks, which are leading financial institutions in their respective countries.

Value Creation Initiatives

Special Feature: Growth Strategies in ASEAN

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[Sources: SNL Financial, Philippine Central Bank, Bloomberg, and data disclosed by each partner bank]
In ASEAN countries, MUFG's traditional business has mainly involved end product manufacturers. However, collaboration with partner banks has enabled us to cover a wider range of business channels, from SMEs such as suppliers and distributors, to purchasers and employees. Through sharing best practices of collaboration and knowledge sharing, we will strive to enhance the corporate value of each partner bank.

In Vietnam, MUFG partners with VietinBank, a state-owned bank, which has strong ties with the Vietnamese government. One example of the influence VietinBank has with the Vietnamese government was, when Vietnam's prime minister visited Japan, we hosted a conference to which we invited the top management of major Japanese corporations and Vietnamese government officials to help foster new business opportunities.

To support Japanese corporate clients seeking to expand business in Vietnam, we leverage on VietinBank's business network, offering unique products and services such as QR code based payment which help customers penetrate the local market. Furthermore, MUFG has been designated as a D-SIB in light of its significance presence in Thailand's financial system, becoming one of the country's top-tier banks. These results accomplished by Krungsri attest the success of collaborative efforts involving MUFG to leverage the latter's functions in creating synergies.

Comparisons of profits

<table>
<thead>
<tr>
<th>Year</th>
<th>Krungsri (TTB billion)</th>
<th>Average of top 4 banks* (TTB billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>36</td>
<td>37</td>
</tr>
<tr>
<td>2014</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>2015</td>
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<td>36</td>
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<tr>
<td>2016</td>
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<td>36</td>
</tr>
<tr>
<td>2017</td>
<td>36</td>
<td>39</td>
</tr>
<tr>
<td>2018</td>
<td>37</td>
<td>42</td>
</tr>
</tbody>
</table>

* Chief Strategy Officer

Enhancing Our Framework for Collaboration

We are working to further promote collaboration between partner banks. For example, we host the annual MUFG Global Partnership Conference attended by top management from each partner bank to discuss how to resolve the universal issues these banks are confronting. Discussion at the conference resulted in, for example, the establishment of a Philippines-based consumer finance joint venture by Krungsri and Security Bank, as well as the enhancement of risk management systems in place at each partner bank.

In addition, partner banks have been actively engaged in the exchange of human resources and MUFG has been hiring a growing number of human resources from partner banks as well. In fiscal 2019, previous CFO/CRO of Bank Danamon was hired by MUFG. Also, the former CSO* of Krungsri has joined MUFG Union Bank to tackle the formulation of regional bank strategies and the upgrade of deposit systems. As we aim to work hand in hand with partner banks to achieve mutual improvement in business strengths, we will strive to help a greater number of highly professional staff in partner banks acquire successful careers in MUFG.

In May 2020, Krungsri initiated a partnership with Grab in Thailand to extend emergency financing for Grab franchisees affected by the fallout from the COVID-19 pandemic. Meanwhile, VietinBank launched lending services for Grab’s contract drivers. As such, the alliance is yielding steady results.

The fallout from the COVID-19 pandemic is contributing to a growing shift toward digital services. With this in mind, we will utilize the alliance with Grab to proactively assist each partner bank in their pursuit of digitalization strategies.

In February 2020, we entered into a capital and business alliance with Grab Holdings, the leading super app in Southeast Asia. This alliance is intended to further enhance MUFG’s commercial banking platform encompassing the ASEAN region through digitalization.

In addition, we expect this alliance to serve as a bridge for our partner banks in reaching out to new customers. Going forward, we aim to create bespoke financial services by combining Grab’s extensive customer contact points and advanced AI technologies with MUFG’s financial product development capabilities.

Financial Products

- Development Capabilities

Advanced AI Technologies

Risk Management Capabilities

Credit strength

One of the Largest Financial Footprints in Southeast Asia

One of the Largest Financial Footprints in Southeast Asia

Grab

Advanced AI Technologies

Various Unique Data

Credit strength

Toward Securing Sustainable Growth in the ASEAN Region

My role is to promote greater collaboration amongst MUFG and its partner banks (PBs) in the ASEAN region and greater oversight and alignment of our PBs’ risk management framework and practices. Prior to joining MUFG, I was the CFO and Director of Micro Business at Bank Danamon. In my earlier tenure with Bank Danamon, I was its CFO. During the strategic partnership discussion between the two banks, I was able to engage and work with MUFG’s senior management and was impressed by their steadfastness and commitment to working with their partners in Asia for growth. Having worked in ASEAN for many years, I believe my experience and insights will serve as a bridge for greater cooperation as we strive to derive greater synergies from our partnerships. Being part of MUFG will enable me to contribute more effectively to the joint success of MUFG and its PBs.

In February 2020, MUFG made a strategic investment in Grab Holdings. I am excited about this new opportunity to create new business models that go beyond existing financial services for sustainable growth.

Satinder P.S. Ahluwalia
Managing Director
Global Commercial Banking Planning Division

Achieving Synergies through Collaboration

Since becoming MUFG’s subsidiary in 2013, Thailand-based Krungsri has achieved remarkable profit growth at a pace that outstrips the growth recorded by any of the top four local banks in terms of total assets. In fiscal 2019, Krungsri marked record-high performance in both net operating profits and net income. Furthermore, Krungsri has been designated as a D-SIB in light of its significance presence in Thailand’s financial system, becoming one of the country’s top-tier banks. These results accomplished by Krungsri attest the success of collaborative efforts involving MUFG to leverage the latter’s functions in creating synergies.
Addressing Social Issues via Digitalization

Stably delivering financial services powered by technology, we strive to help customers enjoy affluent living and achieve business growth while contributing to the resolution of social issues in a variety of fields.

**Enhancing Non Face-to-Face Channels**

MUFG aims to improve customer convenience by enhancing its services delivered via non face-to-face channels. As a result, in fiscal 2019, the ratio of address change applications submitted by individual customers via bank counters declined by half. Meanwhile, the applications completed solely through online banking and smartphone apps rose to approximately 30%.

We also offer various online services for corporate customers through the “MUFG Biz” portal site, which provides them with solutions to management issues they are confronting via a combination of innovative ideas and technologies developed by startups. For SMEs, we provide the Biz LENDING online lending service employing a platform licensed by Credit Engine, Inc. and an AI-driven underwriting model developed by Japan Digital Design (JDD). This novel underwriting model analyzes past transactional data possessed by the Bank from multifaceted perspectives and is not dependent on the conventional underwriting process. The incorporation of this model has drastically cut the conventional underwriting process. The incorporation of this model has drastically cut the conventional underwriting process.

**Operational Process Reforms**

We promote operational process reforms and improve productivity by utilizing AI, blockchain, robotics and other digital technologies.

For example, plans call for digitizing paper documents used at the Bank in connection with the registration of seals, which have been essential to opening transactional accounts under conventional Japanese banking practices, from 2021. This initiative will employ an external service provided by Ripcord, Inc., a U.S.-based startup specializing in robotics- and AI-related technologies. Once completed, staff will be able to use terminals to quickly check seal-related documents. This will shorten the time branch visitors are asked to wait and improve customer convenience while streamlining operations.

The Global Markets Business Group is taking on the development of an AI-based trading model through collaboration with startups as well as industry-academia collaboration. The project aims to use AI to replace human operations that until now have been a necessary part of engaging in trade, such as market making and position-related operations, by leveraging machine learning and deep learning in addition to creating a sophisticated model capable of providing customers with useful investment information.

Also, the Bank is striving to digitize its services associated with international trade finance via the use of blockchain technology. Specifically, the Bank co-founded KomGo SA in tandem with other 14 companies, including prominent overseas banks, oil majors and commodity trading companies, and is taking part in collective efforts aimed at updating international trade practices. The utilization of the KomGo platform is expected to help abolish conventional norms dependent on paper documents and introduce digital-driven, highly efficient trade procedures while realizing more secure transactions via data encryption.

**GO-NET Initiatives**

In anticipation of the coming of an IoT-driven society and the expansion of sharing economies, there are predictions that rapid growth in cashless payment could exceed capacities of the existing payment infrastructure.

Addressing this potential social issue, MUFG established Global Open Network (GO-NET) jointly with Akamai Technologies, the largest digital content delivery network service provider in the United States, with the aim of creating an open payment network. Thanks to the use of new blockchain technology, which will enable the processing of more than 1 million transactions per second, GO-NET is expected to not only become an innovative payment platform but also support network services in an even broader range of fields.

Efforts are currently under way to launch the service in fiscal 2020 in Japan to help develop the foundations of an IoT-driven society.

**Accelerating Open Innovation**

In 2015, we initiated the MUFG Digital Accelerator Program, becoming the first banking group among our domestic peers to host a startup-assistance program of this kind. We are currently rallying all the MUFG Group’s strengths to support the launch of new businesses.

To date, a total of 26 startups participated in the program and we have been working on various collaborations to get their ideas on track. For example, Robot Fund Co., Ltd., a participant in the second round of the program, worked in tandem with the Bank, introducing a fund analytics model that automatically assesses fluctuating factors affecting the standard prices of investment trusts, in November 2019. This model also enables the Bank to carry out the accurate analysis of customers’ investment status and provide them with follow-up services in a more meticulous manner. Leveraging this model, the Bank is striving to enhance its capabilities to make proposals aimed at assisting customers in their medium- to long-term asset formation.

In December 2019, we opened MUFG SPARK, a facility for promoting open innovation via collaboration between Group companies and startups and other external partners. Spark was chosen to suggest our aspiration to foster the type of collaboration that sparks inspiration and fresh chemistry between different ideas in the pursuit of breakthroughs in the creation of financial services for future generations.

Looking ahead, we will accelerate open innovation, thereby contributing to the enhancement of customer convenience and the resolution of issues society is confronting.

**Supporting Startups in Thailand**

Krungsri is engaged in business incubation through subsidiary Krungsri Finnovate in the digital field.

To assist local startups facing fundraising and other business challenges due to the COVID-19 pandemic, the company began hosting the online business matching event “Meet the Angels by Krungsri Finnovate” in April 2020. This event is currently held twice a month with the aim of providing startups with a venue for letting investors know about their business ideas, receiving real-time feedback and finding potential partners who will help them achieve business expansion.

Going forward, Krungsri will continue to support promising startups seeking business growth and thereby help them realize their future potential.
Overview of FY2019 Results

Although the investment product sales struggled due to deterioration in market conditions, net operating profits were up year on year. This was thanks to the expansion of the card settlement and consumer finance businesses and the success of cost control efforts, in addition to growing profits from business and asset succession solutions that employ a group-wide integrated approach.

Japanese Corporate & Investment Banking Business Group (JCIB)*1

Overview of FY2019 Results

Reflecting an improvement in lending spread, net interest income increased, while M&A-related event finance transactions and real estate-related transactions resulted in a robust volume of profits. Consequently, net operating profits were up year on year.

Global Corporate & Investment Banking Business Group (GCIB)*1

Overview of FY2019 Results

Net operating profits grew year on year due to an increase in net interest income from loans and the accumulation of profits deriving from major asset finance transactions in the Americas and transactions in Asia and Oceania.

Global Markets Business Group*1

Overview of FY2019 Results

Net operating profits rose year on year thanks to the successful execution of a selection and concentration approach aimed at increasing gross profits in the Global Markets business and the accumulation of profits from treasury operations via flexible portfolio management that took timely advantage of interest rate declines.

Value Creation Initiatives
Value Creation Initiatives

Business Overview

Retail & Commercial Banking Business Group (R&C)

Our Medium- to Long-Term Vision

We aim to be a retail & commercial banking group with unparalleled strengths in Japan and capable of achieving sustainable growth in tandem with customers and society as a whole.

To this end, we are providing a range of services employing an extensive value chain backed by a group-wide integrated approach while pushing ahead with profit and cost structure reforms.

In pursuing the former, we take full advantage of both our robust customer base, one of our sources of strength, and the comprehensive capabilities afforded by our value chain to deliver diverse solutions for our corporate clients and retail customers. With regard to the latter, we aim to develop a more stable profit structure by expanding base revenues and by accelerating cost structure reforms via, for example, digitalization, sales channel optimization and Business Process Re-engineering (BPR).

In addition, we are determined to ensure the ongoing stability of the financial infrastructure amid the fallout from the COVID-19 pandemic via our settlement functions, which are essential to the maintenance of daily activities, as well as our financing functions, which support the economy. Every employee is acutely aware of this profound mission and engages in daily operations aimed at ensuring we live up to the expectations of society.

Looking ahead, we will strive to meet diverse customer needs and help resolve issues society is confronting, with all Group members working as one. In this way, we will achieve growth hand in hand with customers and society as a whole.

Initiatives to Realize Our Vision

*SME Business*

We employ various functions offered by Group companies to help SMEs resolve the issues confronting them, offering lending, real estate, M&A, IPO and other solutions while making proposals that start with addressing their business succession needs.

Having launched the Growing Industries Support Office, we are stepping up investment in and financing for venture startups as well as the provision of IPO assistance, with the aim of nurturing new industries.

In the face of society’s digital shift, we are working to expand transactional opportunities via non-face-to-face channels. Furthermore, the “MUFG Biz” portal site launched a new online service that provides corporate clients with an easy-to-understand summary analysis of their financial status and transactional data and helps them identify promising business partner candidates and M&A counterparts.

We have also set up dedicated help desks for clients affected by the fallout from the COVID-19 pandemic to extend fundraising assistance in a flexible and swift manner via, for instance, an emergency special loan scheme and “Biz LENDING,” an online lending service. Furthermore, we launched the “MUFG Medical Fund” aimed at assisting venture startups in their efforts to develop and manufacture a cure for COVID-19.

*Retail Business*

In the asset management business, we are promoting an advisory business model to proactively 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 help us transition to a more stable business model that is resilient against market and environment fluctuations.

As part of key initiatives described earlier, we also focus on delivering high-value-added services via the wealth management business in a way that takes full advantage of MUFG’s strengths. To this end, our specialist are engaged in the proposal of asset management, inheritance, real estate and other solutions designed to meet evolving needs of customers in light of their life stages.

With the aim of innovating contact points with retail customers and improving productivity, we have updated the design of our internet banking interface to make it even easier to navigate while initiating the acceptance of applications for private-pension plans. At the same time, we enhanced the lineup of smartphone app-based services to include the re-issuance of cash cards and other procedures that had previously required a branch visit. In addition, the Bank and Sumitomo Mitsui Banking Corporation began allowing each other’s account holders to use their off-branch ATMs.

Going forward, we will strive to enhance both customer convenience and operational efficiency, thereby achieving improvement in productivity:

*Sustainability Initiatives*

R&C is extending financing for growth industries and venture startups while developing products specifically tailored to meet the needs of the elderly in addition to offering solutions supporting smooth business succession.

For more details, please refer to pages 38 to 39 and pages 58 to 62.
Japanese Corporate & Investment Banking Business Group (JCIB)

Our Medium- to Long-Term Vision

Employing our functions at home and abroad, we are striving to be the “First Call Business Partner” trusted by customers. At the same time, our organizational goals are to contribute to the enhancement of Japan’s industrial competitiveness and the realization of a sustainable environment and society.

To this end, we upgraded our RM*1/PO*2 structure via the integration of the sales functions of the Bank and the Trust Bank, the establishment of a new dual-hat organization of the Bank and the Securities, and a shift to a cross-regional management approach. These measures are expected to strengthen our ability to provide one-stop services and deliver optimal solutions to corporate clients. As a result, we were able to expand non-asset businesses, such as those associated with major event finance arrangements, while securing greater asset efficiency thanks mainly to improvement in lending spread and growth in non-JPY deposits.

Looking ahead, we will continue to promote a shift to the origination & distribution (O&D) business as well as a transition to more solid P/L and efficient B/S structures. Moreover, we will strengthen our research & advisory functions to establish a sustainable business model as well as a sophisticated business approach helping resolve the management issues of our corporate clients.

Lastly, we believe that the economic impact of the COVID-19 pandemic will increase in severity going forward. However, MUFG is always there for those seeking help. We will continue to swiftly and carefully accommodate requests from clients in need of fundraising and other solutions to keep their businesses going.

Our Solutions Capabilities

We will also review our pricing criteria with regard to yen loans to improve risk return. We will also review our pricing criteria with regard to yen loans to improve risk return.

Enhancement of Capital Efficiency

In particular, we promote the O&D business in the course of reaching out to domestic and overseas institutional investors as a means of reducing low-profitability assets. As a result of this and the success of our efforts to secure “sticky” non-JPY deposits, the gaps between non-JPY deposits and loans decreased. Going forward, we will continue to take a flexible approach to non-JPY balance sheet management, with the aim of stepping up the accumulation of negotiable assets.

In addition, we made steady progress in the reduction of our equity holdings. We have made steady progress in the reduction of our equity holdings. In particular, we promote the O&D business in the course of reaching out to domestic and overseas institutional investors as a means of reducing low-profitability assets. As a result of this and the success of our efforts to secure “sticky” non-JPY deposits, the gaps between non-JPY deposits and loans decreased. Going forward, we will continue to take a flexible approach to non-JPY balance sheet management, with the aim of stepping up the accumulation of negotiable assets.

In addition, we made steady progress in the reduction of our equity holdings and expect that our target amount for the end of fiscal 2020 will be met. We will continue to push ahead with reduction while sincerely engaging in ongoing dialogue with our corporate clients.

Upgrading of Pricing Management in Lending Operations

The non-JPY lending spread is on an ongoing improvement track thanks to the upgrading of our pricing management approach at home and abroad. To transition to a more solid P/L structure, we will continue this policy.

We will also review our pricing criteria with regard to yen loans to improve risk return.

Sustainability Initiatives

JCIB is financing renewable energy and social infrastructure projects while providing such products as Sustainability Linked Loans.

For more details, please refer to pages 58 to 61.
Global Corporate & Investment Banking Business Group (GCIB)

Our Medium- to Long-Term Vision

Our vision is to provide our global clients with a comprehensive set of solutions that meets their financing needs by leveraging our extensive network, robust customer base and product capabilities that we have established over time.

To support our vision, we are on a journey to transform our business model from “quantity” to “quality” through continued focus on promoting origination & distribution (O&D) on an MUFG group basis and accelerating portfolio recycling to improve returns. In addition, we are working to enhance non-JPY liquidity management and cost control to ensure stable business foundation.

Right now, it is also essential to address business impacts as the world shifts to “new normal” as a result of the COVID-19 pandemic. We will focus on resolving environmental and social issues by supporting sustainable financing, developing financial innovation with digitalization as well as promoting workstyle reforms of our employees. Through the continuous business model transformation, we strive to contribute to sound social development and realize sustainable growth of our business.

Operating Environment Analysis and Key Initiatives

The spread of COVID-19 brought significant economic and social impact worldwide; a tougher business environment as the global economy has now adopted ultra-low interest rates more widely than ever. To tackle this, we need to be more cognizant of non-JPY funding costs and regulatory costs.

We also note the growing importance of Sustainable Development Goals (SDGs). Addressing environmental and social issues through our business is among the top on our agenda: responding to global warming and climate change, helping developing nations achieve sustainable development, and innovating financial solutions to enhance financial inclusion.

Given the above business environment, we are engaged in the key initiatives listed below.

- Promotion of the O&D business on an MUFG group basis
- Portfolio recycling on a global basis
- Reduction of non-JPY loan-to-deposit gaps
- Financial innovation utilizing digital technologies
- Offering Sustainable financing

Initiatives to Realize Our Vision

- Promotion of the O&D Business on an MUFG group basis
  We have enhanced O&D platform connecting institutional investors and corporate clients with financing needs through strengthening our talents and organizations on an integrated business model involving the Bank and the Securities.

In fiscal 2019, the distribution amount fell year on year due to the COVID-19 pandemic. However, we were able to engage in large M&A financing transactions through collaboration with Morgan Stanley and efforts to enhance our sector-based approach.

In addition, we welcomed on board an aviation finance-related business and a team of aviation finance professionals from the DVB Bank in November 2019. Leverage the product offering and risk management capabilities backed by their strong expertise, we are developing an even more sophisticated business model to enhance asset velocity.

- Portfolio Recycling on a Global Basis
  We continue to replace our portfolio with higher-return assets in growth areas through our client relationship review and classification framework, based on the profitability and profit amount metrics of each relationship. In fiscal 2019, we raised the profitability threshold from the year before, thereby expanding the scope of clients under monitoring. With this, we exited from transactions with 119 clients and improved profitability for 171 low-profitability clients. As a result, we have made steady progress in our ongoing transformation from “quantity” to “quality.”

Improving asset quality via portfolio recycling is also essential to offer attractive products backed by high-profitability assets to institutional investors in light of the O&D business. We will further enhance reduction of low-return assets and improvement of portfolio returns.

- Upgrading Our Balance Sheet Management Approach
  Having established the GCIB Asset & Liability Committee (GALCO) in fiscal 2019, we are currently striving to enhance our non-JPY balance sheet management from both assets and liabilities perspective to manage liquidity constraints. With the more disciplined approach through GALCO, we were able to reduce the loan-to-deposit gap on the end of fiscal 2019 despite facing a radical increase in financing demand. We will continue to enhance the framework and optimize the capital allocation with reviewing portfolio returns and non-JPY liquidity capacity.

Sustainability Initiatives

GCIB is offering financing solution for renewable energy and social infrastructure projects and contributing to the expansion of the market for Green Bonds.

For more details, please refer to pages 58 to 61.
Global Commercial Banking Business Group (GCB)

Our Medium- to Long-Term Vision

We create "new trust" by providing new value to customers through collaboration with partner banks. We have long regarded Asia our second "home market", and have been especially focused on developing a commercial banking platform to serve key ASEAN nations. In 2019, we completed this endeavor through the purchase of Bank Danamon Indonesia. Moving forward, we have now entered into a partnership with Grab—the leading super app in Southeast Asia, handling ride-hailing and food delivery services—with aims to accelerate our digital shift and secure our ability to provide novel financial services.

Although factors such as sluggish stock market conditions necessitated a one-time amortization of goodwill in fiscal 2019, the overall performance of our partner banks has been solid. We will strive to enhance each partner bank’s corporate value by rolling out best practices achieved by Krungsri to other partner banks, and sharing expertise such as risk management between partner banks and MUFG.

As for MUH, we will place the utmost priority on optimizing its lending portfolio to improve profitability, which is one of the issues confronting this partner bank, and reducing the expense ratio through cost reduction measures. We will continue to work together with partner banks to deliver new solutions, while paying close attention to the fallout from the COVID-19 pandemic and other economic trends in the countries in which they operate.

Strengths of the Business Group

- Superior service capabilities backed by a combination of customer bases and products developed by MUFG and partner banks
- Extensive branch network and an overwhelming number of customer contact points supported by a commercial banking platform encompassing the ASEAN region
- Access to external partners such as Grab, which will help in promoting financial inclusion, innovation, and employment creation

Operating Environment Analysis and Key Initiatives

Burgeoning economic growth is expected in the ASEAN region over the medium to long term. Moreover, approximately 9,500 Japanese corporations have expanded into the four ASEAN countries in which our partner banks operate, cultivating strong ties between Japan and these nations. Taking these factors into account, we are convinced that MUFG is well positioned to take advantage of its strengths backed by an extensive regional network consisting of more than 3,000 branches.

In addition, there is a rapidly growing trend toward digitalization in the ASEAN region, with an increasing number of new players entering the financial field. Because of this, we need to promote digitalization at an ever-faster pace to capture opportunities arising from the region’s economic growth.

Also, due to the fallout from the COVID-19 pandemic, each partner bank is expected to have some negative impact, such as higher credit costs. With this in mind, we are engaged in the key initiatives listed below.

- Effectively utilizes partner banks’ customer bases and functions
- Strengthens transactional banking operations by utilizing local settlement functions
- Pursues digitalization strategies, including collaborations with Grab
- Enhances risk management systems

Initiatives to Realize Our Vision

- Asia

In Thailand, Krungsri has achieved record-high performances in both net operating profits and net income, thanks to the stable increase of retail loans such as auto loans, and growth in non-interest income.

In Indonesia, Bank Danamon has been engaged in collaborations with MUFG in a variety of fields, including large corporate, SME, and retail transactions. Notably, introducing Bank Danamon’s services to the local commercial distribution of MUFG customers has yielded positive results, including the creation of a highly convenient loan scheme which connects local auto dealers and major European automakers.

The Vietnam-based VietinBank and the Philippines-based Security Bank have also been engaged in collaborations with MUFG, such as providing local settlement services to MUFG customers.

We will continue to provide our customers with services of high value through collaboration between partner banks and sharing best practices.

- United States

MUH is aiming for sustainable growth in pace with the economic growth of the United States, and to this end, is striving to expand its balance of low-cost deposits, optimize its lending portfolio, and promote digitalization. Taking on the challenge of improving its relatively high expense ratio, MUH also initiated across-the-board cost structure reforms in fiscal 2019. Through these initiatives, we have achieved certain results. Furthermore, we are updating MUH’s system platforms by introducing a next-generation mainframe deposit management system, and through data governance enhancement, we aim to establish a more sustainable and stable business foundation.

In March 2020, MUFG Union Bank appointed the new head of its regional banking division. Having strengthened the management structure with this move, MUFG Union Bank will strive to accelerate business model reformations while continuously delivering client-centric solutions to our valued customers, including local retail customers and SMEs.

GDP Trend in Four ASEAN Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP Growth Rate (right axis) (Billions of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>6.0</td>
</tr>
<tr>
<td>Thailand</td>
<td>6.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>7.3</td>
</tr>
<tr>
<td>Vietnam</td>
<td>8.2</td>
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</tbody>
</table>

* Source: World Eonomic Outlook Database, April 2020 compiled by IMF

Number of Japanese Corporations Expanding into ASEAN Region

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>4,198</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,994</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1,920</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,356</td>
</tr>
<tr>
<td>Total</td>
<td>9,468</td>
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Growth in Net Operating Profits

<table>
<thead>
<tr>
<th>Year</th>
<th>Profits (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>217.9</td>
</tr>
<tr>
<td>2016</td>
<td>271.1</td>
</tr>
</tbody>
</table>

* As GCB was inaugurated in fiscal 2016, the figure for fiscal 2015 has not been used to compile fiscal 2016 operating results

Sustainability Initiatives

GCB is acting in collaboration with partner banks to promote financial inclusion and digitalization initiatives.

For more details, please refer to pages 39 and 80.
Value Creation Initiatives

Business Overview

Asset Management & Investor Services Business Group (AM/IS)

Our Medium- to Long-Term Vision

Our Medium- to Long-Term Vision

We aim to become a player boasting unparalleled strength in Japan and significant global presence. To this end, we strive to enhance our products and services while remaining acutely conscious of our fiduciary duties in an effort to win customers’ support.

In the asset management field, we will secure greater capabilities to meet diverse needs on a global basis by strengthening our functions via the acquisition of domestic and overseas asset managers and by creating synergies with existing businesses.

In the field of investor services, we will further expand our operations by proactively delivering new services and greater value to customers at home and abroad in a way that accurately meet their needs.

With regard to the pension business, in which we provide solutions ranging from HR systems to retirement benefit schemes, we will continue to help customers resolve the issues confronting them as we aim to garner an even more solid reputation and expand our customer base.

Although the business environment is radically evolving due to the fall-out from the COVID-19 pandemic, we strive to live up to customers’ trust and remain their best partner. To this end, we will do our utmost to fulfil our fiduciary duties while taking full advantage of our expertise to meet diverse customer needs.

Operating Environment Analysis and Key Initiatives

Due to such factors as the fallout from the COVID-19 pandemic, the outlook for the market environment is expected to remain unclear for a long time.

Overseas, we have seen the popularization of an asset management approach that pays attention to social security systems due to an aging population and a low birth rate. Taking these factors into account, we are taking on the following key initiatives to achieve our medium- to long-term vision.

- Provide institutional investors with diverse asset management vehicles.
- Popularize a responsible investment approach by setting precedents and engaging in dialogue with businesses.
- Deliver asset management solutions to support long-term, stable asset building for households as well as an extensive lineup of asset administration services.

Initiatives to Realize Our Vision

- Asset Management Business

Even as we focus on the development of a robust business platform that will allow us to secure global competitiveness, efforts are under way to strengthen governance by, for example, dispatching directors to the Australia-based First Senter Investors (FSI),*4 a global asset manager we acquired in August 2019. Moreover, we are stepping up collaboration with FSI to jointly address ESG and other issues. In June 2021, we acquired an equity stake in Mitsubishi Corporation Asset Management Ltd. and renamed it Mitsubishi UFJ Alternative Investments Co., Ltd.*5 We will also work together with this new Group member specializing in the alternative investment field*6 to develop its organizational structure in order to create synergies at the earliest possible date.

In September 2019, we launched MUFG Private RET, Inc., which handles private placement RETs, to further enhance our products and services and meet diverse customer needs by taking full advantage of Group companies’ functions, expertise and know-how.

- Investor Services Business

Under the MUFG Investor Services brand, we strive to increase the balance of assets under our management via fund administration while providing a broad range of MUFG customers with ancillary banking services (e.g., financing for funds, forex and repo transactions*7).

In the alternative fund field, which boasts growth potential, we are currently ranked sixth among our global peers in terms of the value of alternative funds under administration and are achieving steady business expansion.

In October 2019, we completed the acquisition of Point Nine Limited,*8 a company boasting strengths in digital-driven solutions for operational streamlining and business process updating. To meet the increasingly diverse asset administration needs of customers, we will continuously strive to deliver even better services while improving productivity.

- Pension Business

While providing a range of MUFG customers with pension-related services, we offer consulting services to help them comprehensively review their HR and retirement benefit systems. Simultaneously, we endeavor to strengthen our asset management and sales capabilities while taking a group-wide, integrated service approach. By doing so, we aim to increase both the balance of pension trusts under defined benefit pension plans and enrollment in defined contribution pension plans.

Sustainability Initiatives

AM/IS strives to promote responsible investment while providing financial and economic education. Moreover, it engages in surveys and research on asset building in addition to publicizing its insights in this field.

For more details, please refer to pages 59 and 62.
Global Markets Business Group

Our Medium- to Long-Term Vision

Employing the Group’s comprehensive capabilities, we aim to steadily deliver high-value-added services to customers and, to this end, proactively tackle new challenges to enhance our corporate value.

In customer segments, we are allocating our resources to fields in which MUFG has proven strength and good growth potential, accelerating the selection and concentration approach. We are also working to transition to a new business model via the promotion of the origination & distribution (O&D) business and the cross-selling.

In treasury operations, we are supporting the stable management of non-JPY funding by diversifying sources of funding. At the same time, we are flexibly carrying out hedging operations in a way that conforms to prevailing interest rate trends while considering the execution of long-term, diversified investment.

Amid turmoil in the financial market, which has been severely affected by the fallout from the COVID-19 pandemic, we have been steadily providing financial services. As a professional team in global markets, we strive to continue to live up to customer expectations and thereby contribute to stable business management for the Group.

Business environment is radically evolving due to such factors as ever advancing digitalization, a growing number of new players making entries into the industry, and the pressing need for solutions aimed at addressing sustainability issues. However, we will consider these changes to be new opportunities and endeavor to solidify trust customers and society have in us.

<table>
<thead>
<tr>
<th>Strengths of the Business Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ The capability needed to deliver products and solutions that meet diverse customer needs</td>
</tr>
<tr>
<td>▪ Strong presence as a financial market leader</td>
</tr>
<tr>
<td>▪ Sophisticated and leading-edge methodologies available to control market risk</td>
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</tbody>
</table>

Operating Environment Analysis and Key Initiatives

In response to the spread of COVID-19, we have implemented such measures as the introduction of a “split-team” operational system and a remote working scheme in order to maintain financial market functions and ability to meet customer needs as financial professionals. Looking ahead, we will optimize our operational structure to adapt to new circumstances during and in the aftermath of the COVID-19 pandemic. In this way, we will fulfill our responsibilities as a market leader.

Our business environment is expected to be affected by the progression of a trend toward low interest rates and even harsher regulatory requirements. We also anticipate the intensification of competition due to the advancement of technologies.

Furthermore, we have seen steadily growing customer needs for solutions aimed at helping realize SDGs and addressing ESG and other sustainability issues.

With this in mind, we will steadily push ahead with the key initiatives listed below while striving to achieve our medium- to long-term vision.

▪ Promote the O&D business
▪ Enhance our operations in customer segments by expanding areas in which we engage in cross-selling
▪ Strengthen sales & trading operations at home
▪ Take on the challenge of deploying new investment management methodologies

Initiatives to Realize Our Vision

Customer Segments

Focusing our management resources on priority business fields, we deliver high-quality products and solutions to meet customer needs.

Institutional investors: Currently, close collaboration is under way between GCB, AM/IS and Global Markets business groups to provide products and services. Having established an organizational structure for smoothing such collaboration in the United States, we will move on to develop similar structures in Europe and Asia to meet diverse customer needs.

Also, we are enhancing our capabilities to deliver such solutions as secured finance.* In fiscal 2019, the Global Markets Business Group contributed to the expansion of the MUFG Group’s institutional investors business through improvements in profitability. Going forward, we will step up in-house collaboration transcending the boundaries of business groups while gearing up our O&D-related initiatives. In this way, we will achieve further business expansion in this field.

Corporate customers: We engaged in ongoing investment to introduce electronic procedures for forex transactions, an area in which MUFG boasts strengths, with the aim of achieving further improvement in customer convenience and the Group’s price competitiveness. Having thus updated our business platform, we will strive to maintain a stable volume of transactions, improve profitability and ensure our ability to secure a steady supply of funds with liquidity at times of emergency. By doing so, we will further enhance our strengths.

Moreover, we will continue to accommodate customer needs by engaging in the proposal of diverse solutions that conform with the market environment. We will also provide customers with products designed to help them address sustainability issues. In addition, we will work to secure our preparedness with regard to changes in the business environment, such as those arising from the introduction of CVA* regulations, as we accelerate transition to a new business model for corporate customers.

Treasury

In our market operations, we maintain a flexible approach responsive to changes in the market environment in order to secure robust profit. Simultaneously, we have maintained the stable management of non-JPY funding even during times of radical market fluctuations to support the MUFG Group’s business.

Looking ahead, we will take a groupwide, integrated approach to increase the volume, stability and efficiency of non-JPY funding by, for example, diversifying funding sources, with the aim of supporting the MUFG Group’s non-JPY businesses as a whole. We will also secure profit opportunities via, for instance, flexible hedging operations that conform with interest rate trends. We will thus engage in market risk management in a way that takes full advantage of the strengths of the Bank and the Trust Bank in their areas of specialty.

Sustainability Initiatives

The Global Markets Business Group developed a non-JPY deposit product featuring earthquake protection while engaging in cutting-edge, AI-driven trading transactions.

For more details, please refer to pages 38 and 61.

Client Value

0 20 40 60 80 100 120 140 160

2017 2018 2019 2020

Digitalization ratio of FX rate contracts *

0 20 40 60 80 100

2017 2018 2019 2020

Remaining Balance of non-JPY Denominated Bonds Issued

0 20 40 60 80 100


MUFG Report 2020 MUFJ Report 2020